FBIS DAILY REPORT

CONTENTS

Latin America

Vol VI No 094

15 May 1987

INTER-AMERICAN AFFAIRS

Presidents To Analyze Foreign Debt at Summit [EFE] A 1
ALADI Studying Latin American Currency Proposal [EFE] A 2

ARGENTINA

Deputies Postpone Debate of Due Obedience Bill B 1
Varied Reactions to Bill [BUENOS AIRES HERALD 14 May] B 1
Pressure Exerted by Military B 3
Bomb Defused in Congress Building Restroom B 4
State Workers Get 6-Percent Salary Increase B 4
[BUENOS AIRES HERALD 14 May]
Government Appoints New CNEA President B 5
Spanish Deputy Prime Minister Arrives B 5
Ends Visit B 5
Journalist Guerrero Released at Bolivian Border B 6
Briefs: New Radio Station Approved; Coal Imported From PRC; Credit Agreement With Bulgaria; Ambassadors Approved B 6

BOLIVIA

Mineworkers Stage Demonstrations, Blockade Streets C 1
People Attack Drug Patrol Unit in Chapare C 1
Malaysian Foreign Minister Arrives for Visit C 2
Briefs: New Treasury Office Created; Budget Deficit Reported; Traffickers' Planes Using Road; Cocaine Base Confiscated C 2

BRAZIL

Foreign Minister Says Gorbachev To Visit D 1
[O ESTADO DE SAO PAULO 13 May]
Finance Minister Admits 'Sign of Recession' D 1
[FOLHA DE SAO PAULO 14 May]
Marco Maciel Elected Liberal Front Party President D 2
Technical Features of New Missile Viewed D 2
[O ESTADO DE SAO PAULO 12 May]

CHILE

ANALISIS Director Given 541-Day Jail Sentence E 1
Clodomiro Almeyda Calls for Opposition Unity E 1
[LA TERCERA DE LA HORA 28 Apr]
Leftist Sectors Call for Social Mobilization [EFE] E 2
Correction to Minister Discusses Statement E 2

COLOMBIA

Barco, PL Review Venezuelan Stance on Commission F 1
Briefs: Quarterly Report on Drug Arrests; Cali Drug Lab Found F 1

ECUADOR

Deputy Rejects U.S. Military Presence G 1
President Swears In New Labor Minister G 1

PERU

Alva Castro Speech on Economy to Congress J 1
Economy Minister Departs for Mexico 'Suddenly' [AFP] J 13
Canada Converts All Credits Since 1981 to Donations J 14
Brazilian Foreign Minister To Make Official Visit [AFP] J 15

MEXICO

Sepulveda Discusses Relations With United States M 1
U.S. Envoy's Remarks Rejected M 1
Consular Manual Protects Rights of Illegal Aliens M 2
Nicaraguan Vice President Grants News Conference M 2

PANAMA

Foreign Minister Claims Canal Accounting 'Rigged' [EXTRA 12 May] N 1
Housing Ministry To Use Money From Frozen Accounts [EXTRA 12 May] N 1

CENTRAL AMERICA

BELIZE

Foreign Minister on Hardened Attitude of Guatemala P 1

EL SALVADOR

President Duarte Comments on Amnesty Proposal P 2
Government, Guerrillas Meet in Managua [EL MUNDO 12 May] P 3
Operations Chief Assesses Guerrilla Actions P 3
Guerrilla Leader Views Dialogue, Peace Prospects P 4
Planning Minister Discusses Need To End War P 5
Briefs: France Grants Assistance; Local Time Adjustment P 6

HONDURAS

Azcona Rules Out Devaluation; Tax, Tariff Hike P 6

NICARAGUA

Defense Coordinator Views Revolutionary Fronts [Sofia OTECHESTVEN FRONT 8 May] P 7
Polycasa Factory Closes for 3 Months Due to Attack P 9

Mill Reports Sugarcane Harvest Affected by Rains P 10
FSLN, Mongolian Party Sign Cooperation Agreement P 10

CUBA

CPSU Delegation Visits PCC Headquarters Q 1
Soviet Minister Tours Plants in Camaguey Q 1
U.S. Envoy to UN Uses 'Offensive Arguments' Q 1
New Hydraulic Development Plan for Havana Q 1
UJC Assessment Processes To Begin Shortly Q 2
First Phase of Airport Expansion Underway Q 2
Savings Bank Buying Demonetized Silver Coins Q 2
Unions Greet Peasants on Occasion of ANAP Congress Q 3
First Workers, Trade Union Workshop Held Q 3
Workers Urged To Respect Safety Measures Q 3
Fire Reported at Ciego de Avila Warehouse Q 4
FAR Official Visits 10 October Training Center Q 4
Passing Rate Problem Viewed in Havana Schools Q 4
Commentary on Weakening of Salvadoran Regime Q 4

CARIBBEAN

DOMINICA

CDB Reports 4 Percent Economic Growth in 1986 S 1
Opposition Party Candidates Win Grandbay Elections S 2

GRENADA

Commissioner, Infrastructure Planned for Elections S 3

HAITI

Politician Accuses U.S., Jamaica of Meddling S 3

JAMAICA

Modest Economic Growth Reported in 1986 S 4

ST VINCENT AND THE GRENADINES

Briefs: Telephone Exchange Launched S 6

TRINIDAD AND TOBAGO

Parliament Passes Bill for Overdue Elections S 6

SURINAME

Information Campaign on Constitution Begins U 1
Technical Problems Force Chemical Plant To Close U 1
Seven Parties To Participate in November Elections [AFP] U 1
Prosecutor Recommends Workers Imprisonment U 2
Wijdenbosch Emphasizes Crucial Role of Youth U 2

Mill Reports Sugarcane Harvest Affected by Rains P 10
FSLN, Mongolian Party Sign Cooperation Agreement P 10

CUBA

CPSU Delegation Visits PCC Headquarters Q 1
Soviet Minister Tours Plants in Camaguey Q 1
U.S. Envoy to UN Uses 'Offensive Arguments' Q 1
New Hydraulic Development Plan for Havana Q 1
UJC Assessment Processes To Begin Shortly Q 2
First Phase of Airport Expansion Underway Q 2
Savings Bank Buying Demonetized Silver Coins Q 2
Unions Greet Peasants on Occasion of ANAP Congress Q 3
First Workers, Trade Union Workshop Held Q 3
Workers Urged To Respect Safety Measures Q 3
Fire Reported at Ciego de Avila Warehouse Q 4
FAR Official Visits 10 October Training Center Q 4
Passing Rate Problem Viewed in Havana Schools Q 4
Commentary on Weakening of Salvadoran Regime Q 4

CARIBBEAN

DOMINICA

CDB Reports 4 Percent Economic Growth in 1986 S 1
Opposition Party Candidates Win Grandbay Elections S 2

GRENADA

Commissioner, Infrastructure Planned for Elections S 3

HAITI

Politician Accuses U.S., Jamaica of Meddling S 3

JAMAICA

Modest Economic Growth Reported in 1986 S 4

ST VINCENT AND THE GRENADINES

Briefs: Telephone Exchange Launched S 6

TRINIDAD AND TOBAGO

Parliament Passes Bill for Overdue Elections S 6

SURINAME

Information Campaign on Constitution Begins U 1
Technical Problems Force Chemical Plant To Close U 1
Seven Parties To Participate in November Elections [AFP] U 1
Prosecutor Recommends Workers Imprisonment U 2
Wijdenbosch Emphasizes Crucial Role of Youth U 2

PRESIDENTS TO ANALYZE FOREIGN DEBT AT SUMMIT

PY131737 Madrid EFE in Spanish 0038 GMT 13 May 87

[Text] Montevideo, 12 May (EFE) -- Uruguayan Foreign Minister Enrique Iglesias confirmed today that the presidents of Argentina, Brazil, and Uruguay will begin to analyze the effect of the new U.S. interest rates on the region's foreign debt on Monday, 25 May. The summit of the southern cone presidents will end on 27 May at the historic Santa Teresa Fort, near the eastern border of Uruguay with Brazil. According to official announcements, Argentine President Raul Alfonsin will arrive in Montevideo on 25 May and stay in Uruguay until 27 May. During the first 2 days, Alfonsin will hold talks with his Uruguayan colleague Julio Maria Sanguinetti, receive the keys to the city, and attend a congressional session in his honor. On 27 May, Sanguinetti and Alfonsin will go to Santa Teresa, 370 km east of Montevideo, where Brazilian President Jose Sarney will join them.

At the summit of the three presidents, the topics to be discussed, in addition to the foreign debt, include regional integration and creation of a southern cone common market, an idea that was originally brought up at the presidential level last year in Buenos Aires. The presidents will review the new world economic situation which, according to Uruguayan Economy Minister Ricardo Zerbino, presents "not a very encouraging aspect." After attending the World Bank meetings and visiting the FRG, Minister Zerbino said upon his return that "at the international level the information obtained from specialized organizations is somewhat worrisome." He said that industrialized countries will not attain the 2.75-percent growth which had been expected for this year. According to the Uruguayan minister, "this sluggish growth raises concern among the developed countries because a vigorous growth of the world economy is fundamental for the expansion of trade and exports by our nations." He then noted that "only then will our nations be in the position to overcome the problems posed by their foreign debts."

ALADI STUDYING LATIN AMERICAN CURRENCY PROPOSAL

PY121405 Madrid EFE in Spanish 0259 GMT 12 May 87

[Text] Montevideo, 11 May (EFE) -- The central bank president of the 11 country members of ALADI have reached an agreement to study mechanisms for regional financial cooperation aimed at creating a common Latin American currency. This information was provided in Montevideo by Central Bank President Ricardo Pascale after his return from a meeting in Bridgetown, Barbados. Pascale said efforts are being made to create within ALADI a common currency for regional trade. The proposal was originally presented by Brazil to the ALADI members and is similar to the EEC currency (ECU-European Common Currency). Latin America has an example of regional currency with the Andean peso which is used for trade in that region.

Pascale also reported that during the meeting of central bank presidents in Barbados a decision was made to implement the Santo Domingo Agreement for regional trade. Under this system, an evaluation is made every 4 four months and help is given in emergency situations. The proposals for a Latin American currency and the mechanisms for its improvement and implementation will be submitted to the ALADI general secretariat which has its headquarters in Montevideo. This issue will be discussed in greater detail during another meeting scheduled for next September.

DEPUTIES POSTPONE DEBATE OF DUE OBEDIENCE BILL

PY141532 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1154 GMT 14 May 87

[Text] Buenos Aires, 14 May (NA) -- The Chamber of Deputies yesterday turned down a request from the executive branch to immediately debate the bill on due obedience. The debate had to be postponed because it was impossible to obtain the two-thirds vote necessary to proceed with it immediately. Negative votes were cast by six UCR [Radical Civic Union] deputies, and the blocs of deputies from the Renewal Peronist Party, the Intransigent Party, the Christian Democratic Party, the Progressive Democratic Party, the Integration and Development Movement, and the Democratic Center Union.

The bill President Raul Alfonsin submitted yesterday was then sent to the Constitutional Affairs Committee and the Defense and Penal Legislation Committee, which will begin to study the text at a session scheduled for 1400 today. Thus, the hopes of the executive branch to have the bill pass into law immediately, so it could go into effect in 5 days, were dashed.

The six UCR members who did not follow the bloc's position and voted against the bill were Ballarrinaga and Reynoso (Buenos Aires Province), Bianchi and Zizzia (Mendoza Province), Volpe Montiel (Entre Rios Province), and Marini (San Juan Province). Norberto Copello, also of the UCR, abstained.

The motion of the UCR bloc, which wanted to debate the bill immediately last night, had the support of the United Peronist bloc, which is a member of the 62 Organizations, and the so-called 17 October Group headed by Herminio Iglesias. The motion received 132 votes in favor, 77 against, and 1 abstention. Therefore, it lacked 2 votes to reach the needed two-thirds.

After a long debate within the UCR and the Renewal Peronist blocs, the UCR members decided to go the chamber to try and vote immediately by getting a quorum with the participation of a dozen orthodox Peronists, Intransigents, Democratic Center Unionists, Christian Democrats, and the blocs of the provincial parties.

Later the Intransigent Party, the Democratic Center Union, and the Christian Democratic Party decided not to vote for the bill and joined the Peronist Renewal group to force the bill to committee.

Varied Reactions to Bill

PY142258 Buenos Aires BUENOS AIRES HERALD in English 14 May 87 p 11

[Text] (NA-DYN) -- President Raul Alfonsin's message announcing the submission of the due obedience bill to Congress yesterday stirred heated debate among social, political, economic and human rights groups.

The Mothers of Plaza de Mayo wondered "how we can forgive those who carried out a diabolical plan" and said that "we do not want vengeance but will continue to seek justice."

Similarly, the Association of Former Detained and Missing Persons and the Communist Party yesterday called on the population to rally in front of Congress today at 6 pm in an expression of repudiation of the bill.

The Argentine Rural Society (SRA), on the other hand, exhorted legislators to "sanction a law to consolidate a generous peace and conciliation among Argentines."

The Centre for Legal and Social Studies (CELS), in turn, said that the bill "insults the moral conscience of the nation," and "benefits with impunity those who tortured and killed defenceless people."

"If officers are given the idea that they are robots carrying out criminal orders, it will be a great aggression against society, which wants to see justice done," CELS added in a statement.

Centre of Military Officers for Democracy (CEMIDA) President Ernesto Lopez Mayer yesterday held that "we do not agree at all" with the government's bill and rejected "political intervention in a problem which was in the hands of the courts."

Peronist leader Juan Carlos Dante Gullo said that "the president's speech watered down the Easter spirit," because "once again they make us take a step back and leave us without the illusion of security and peace."

Renewal Peronist unionist Roberto Digon said that the bill "shows that there are hidden military pressures," and termed it "unacceptable."

The Movement Towards Socialism (MAS) called on all political groupings to "urgently undertake measures to oppose the (former Lieutenant-Colonel Aldo) Rico-Alfonsin law."

"We were right in not signing the commitment to democracy agreement" which was signed by all political parties during the Holy Week military insurrections.

Defence Minister Jose Horacio Jaunarena considered the bill "a decisive step towards the achievement of peace among Argentines, which is an indispensable requirement towards overcoming the problems we are facing."

Ex-President Arturo Frondizi yesterday pronounced himself emphatically in favour of a blanket amnesty, considering that neither the full stop nor the due obedience laws "can solve the problem of the Armed Forces." He also ratified his denunciation of "thousands" of ultra-leftist militants "who are armed to the teeth."

Former Peronist presidential candidate Italo Luder said the bill should be given time to see if it could solve the military problem.

Buenos Aires Governor Alejandro Armendariz said that "we must be able to incorporate the Armed Forces into society and let them become a pillar of democracy."

Pressure Exerted by Military

PY150249 Buenos Aires DYN in Spanish 0050 GMT 15 May 87

[Excerpt] Cordoba, 14 May (DYN) -- Radical Senator Antonio Napoli, president of the ruling-party bloc in the Senate, admitted here today that the urgency to pass a law, which acquits active duty military men of any criminal guilt, is a result of pressure being exerted by "a group or sector" of the Armed Forces. "This group is demanding, correctly or not, that the due obedience issue be addressed."

In an interview with Cordoba "99.7 FM" radio station this afternoon, Napoli told the "Important News of the Day" program that "the terms for the approval of the so-called "due obedience law are peremptory." Asked about the reasons for the rush in approving this law, Napoli told the reporter: "Well these demands are... Well, you know there is a certain degree of unrest in some sectors of the Armed Forces. Naturally, I am referring only to certain sectors or groups of the Armed Forces." "I am not referring to the institution," he added. "There is a group or sector which is demanding, correctly or not, that the due obedience issue be addressed, and that the law be passed because it is very important."

The full text of the interview follows:

[Reporter] What is your opinion about this bill?

[Napoli] I believe the country is demanding from us difficult but necessary solutions. In order to achieve a peaceful coexistence and take a definitive giant step toward the future, we Argentines must stop going back into the past so often. However, we must not entirely forget the past. This hurts us, but to see the fatherland in a crisis also hurts us. If the bill is debated in the (Chamber of Deputies), and is sanctioned there, it will be submitted to the Senate and we will debate it next week. I believe we will debate it for a day, as the committees of the Chamber of Deputies have debated it and analyzed it.

[Reporter] Will the bill be approved in 5 days as requested by President Alfonsin?

[Napoli] Well, we are trying to comply with this deadline. The terms were peremptory.

[Reporter] What demands had peremptory characteristics?

[Napoli] Well, these demands are ... well, you know there is a certain degree of unrest in some sectors of the Armed Forces. Naturally, I am referring only to certain sectors or groups of the Armed Forces. I am not referring to the institution. There is a group or sector which is demanding, correctly or not, that the due obedience issue be addressed and that the law be passed, because it is very important. We want to achieve peace, and we cannot coexist peacefully when two sectors of our society are clashing. This is clear, and we must admit it." [passage omitted]

BOMB DEFUSED IN CONGRESS BUILDING RESTROOM

PY142246 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1854 GMT 14 May 87

[Text] Buenos Aires, 14 May (NA) -- Security personnel from the building next to Congress this afternoon deactivated a bomb, that was made up of 5 dynamite sticks with a lighted fuse, in a lady's restroom on the 7th floor, a Congress source reported.

Even though the first reports are not accurate, it was said an employee who entered the bathroom found the bomb when there was barely 50 cm of fuse left.

After the alert was given, the security personnel rapidly deactivated the bomb.

STATE WORKERS GET 6-PERCENT SALARY INCREASE

PY142239 Buenos Aires BUENOS AIRES HERALD in English 14 May 87 p 11

[Text] (NA-DYN) -- Economy Ministry Under Secretary Jorge Gandara yesterday confirmed that state workers would receive a six percent wage hike in June, in line with increases decreed for the private sector, and denied that the 50 australs advance payment on the mid-year bonus would be permanently incorporated to wages in both sectors.

The government official pointed out that the government's incomes policy "includes the private and public sectors without distinctions."

While Labour Minister Carlos Alderete and Deputy Jorge Triaca had suggested the possibility that the 50 australs advance payment could be incorporated to wages, Gandara underlined that the said figure "will be discounted from June wages."

The Under Secretary underlined that Alderete "is showing a considerable measure of responsibility despite fears that the inclusion of a unionist in the cabinet would prompt an irrational or wild administration."

Labour and government epresentatives will meet today to discuss a mechanism to adjust wages to inflation in order to replace the scheme implemented by the government since January of this year.

ATE state workers union leader German Abdala meanwhile warned that "a conflict would be inevitable" if public sector workers receive less money than other sectors.

Abdala said there are close to 100,000 state workers in conflict at the moment including 35,000 in the Fabricaciones Militares military-industrial complex and 7,000 in the National Atomic Energy Commission (CNEA).

Personnel at the National Research Council (CONICET) meanwhile declared a strike today to demand a 40 percent wage hike and decisionmaking rights in the board of directors.

Other conflicts include public sector workers in the data processing department, the Health Ministry, the Cervantes National Theatre and civil servants in Formosa, Tierra del Fuego and Chubut.

GOVERNMENT APPOINTS NEW CNEA PRESIDENT

PY141712 Buenos Aires TELAM in Spanish 1627 GMT 14 May 87

[Text] Buenos Aires, 14 May (TELAM) -- The executive branch has announced through Decree 719 the appointment of Victoria Perez Ferreira as the new president of the National Commission for Atomic Energy, replacing Alberto Rafael Constantini. Through Decree 718, the government accepted the resignation submitted by Constantini.

SPANISH DEPUTY PRIME MINISTER ARRIVES

PY121355 Buenos Aires Domestic Service in Spanish 0200 GMT 12 May 87

[By (Horacio Vieira)]

[Text] Spanish Deputy Prime Minister Alfonso Guerra has arrived in our country. He comes here directly from Spain. The following are his statements at Ezeiza airport:

[Begin Guerra recording in progress]... the day after tomorrow we will have the opportunity to make contacts and strengthen relations. At this time, I simply want to extend greetings. As you know, the Spanish Government decided this trip should be made after the events that occured in Argentina. Its objective is to directly and personally express the Spanish Government's solidarity with the Argentine democracy and the government headed by Raul Alfonsin. Of course, we may also have the opportunity to do other things related to the political and economic relations between Argentina and Spain. Fundamentally, however, my trip is intended to implement the Spanish Government's policy of friendliness, brotherhood, and solidarity with the Argentine people, democracy, and freedom. In fact, although this is an official government visit, I believe I can say it represents the will of all the Spanish political parties and the Spanish people. [end recording]

Ends Visit

PY141831 Buenos Aires TELAM in Spanish 1252 GMT 14 May 87

[Excerpt] Buenos Aires, 14 May (TELAM) -- Alfonso Guerra, the Spanish deputy prime minister, this morning said just before leaving the country that the government of President Raul Alfonsin is trying to lead the country toward progress, development, well-being, and stability. He added: I believe the Argentine people are fully responding to the president.

Guerra, who today left the country from the Ezeiza International Airport in a Spanish Air Force aircraft after a 3-day visit, said he was deeply impressed by the great activity in Argentina. He said Argentina is experiencing very important events, shaping its future and doing it correctly. [passage omitted]

JOURNALIST GUERRERO RELEASED AT BOLIVIAN BORDER

PY111803 Buenos Aires TELAM in Spanish 0428 GMT 11 May 87

[Text] San Salvador de Jujuy, 10 May (TELAM) -- The 21st Squadron of the National Gendarmerie tonight reported that Argentine journalist Alejandro Guerrero was released at noon today in La Quiaca, located at the Argentine-Bolivian border. Guerrero was brought there by Bolivian police, who said he was being expelled.

Spokesmen of the Argentine Gendarmerie said Guerrero is in good health and at 0800 tomorrow morning he will process his papers with which he will enter Argentine territory. Guerrero was arrested on 5 May while running a university publication.

BRIEFS

NEW RADIO STATION APPROVED -- San Salvador de Jujuy, 3 May (TELAM) -- San Pedro Mayor Angel Zamar has confirmed that the COMFER [Federal Committee for Broadcasting] has authorized the operation of a long range FM radio station. According to official reports, the Radio Municipal FM Radio Station of San Pedro de Jujuy, which is located 65 km from San Salvador de Jujuy, will transmit on 91.7 Mhz. [Excerpts] [Buenos Aires TELAM in Spanish 1311 GMT 3 May 87 PY]

COAL IMPORTED FROM PRC -- The Argentine Iron and Steel Joint Association has announced the arrival of the first shipment of 25,000 tons of medium-volatile coal from the PRC. The shipment also includes a small sample of high-volatile coal for testing on an industrial scale. [Summary] [Buenos Aires LA PRENSA in Spanish 15 Apr 87 p 14 PY]

CREDIT AGREEMENT WITH BULGARIA -- Buenos Aires, 20 Apr (TELAM) -- Today the Central Bank disclosed that a reciprocal credit agreement signed with the Bulgarian Foreign Trade Bank will go into effect on 1 May. According to this agreement, signed on 25 November 1985, Bulgaria will export to Argentina essence oils, metal, compressors, tobacco dryers, scales, drills, industrial robots, microcompressors, electric motors, railway-track-laying vehicles, railroad cars, and other items. Argentina, in turn, will export to Bulgaria frozen fish, tea, rice, molasses, fruit juice, minerals, chemical and pharmaceutical products, leather and leather goods, paper and cardboard, cotton textiles, shoes, metal goods, machinery and equipment, equipment for dairy farms, electrical appliances, medical and hospital equipment, etc. [Summary] [Buenos Aires TELAM in Spanish 0119 GMT 21 Apr 87 PY]

AMBASSADORS APPROVED -- Buenos Aires, 12 May (TELAM) -- The Republic of Zaire has approved the appointment of Gustavo Alberto Urrutia as extraordinary and plenipotentiary Argentine ambassador to Zaire. The Republic of Mali has approved the appointment of Mario Corcuera Ibanez as concurrent ambassador to Mali. Corcuera Ibanez is headquartered in Dakar (Senegal). [Excerpts] [Buenos Aires TELAM in Spanish 1551 GMT 12 May 87 PY]

MINEWORKERS STAGE DEMONSTRATIONS, BLOCKADE STREETS

PY142147 La Paz La Red Panamericana in Spanish 1700 GMT 14 May 87

[Cristina Corrales]

[Excerpts] As scheduled, several La Paz streets were blocked at noon today. The La Paz Departmental Labor Confederation, the La Paz factory workers, mineworkers, teachers, and university students stopped traffic in strategic areas of the city.

Juan Chavez, culture secretary of the factory workers federation, has explained the reasons that led the workers to adopt these measures.

[Begin Chavez recording] First of all, at the general meeting of the departmental factory workers we decided to begin coercive measures to protest the delay in solving the problems affecting the workers. For example, there are mineworkers who have been here for more than 1 month, with no food. These people have also had to endure inclement weather and the indifference of the government. For this reason we workers have decided to blockade streets in different parts of the city. [end recording] [passage omitted]

Approximately 750 people, including mineworkers and their wives, this morning blockaded several streets in La Paz. Other groups continued to arrive from the different districts to participate in the demonstrations called by their federations for the next few days. [passage omitted]

The Interior Ministry has reported that it will not allow the disruption of order during the demonstrations staged by the labor sector. This warning has been issued by Interior Ministry Under Secretary Eduardo Perez Beltran. He said the government respects the citizens' rights, and the government will be observing the development of events in the Bolivian capital.

Perez Beltran added that the government will no longer permit blockades or the disruption of order that may represent an attack against public and private property. The government, he stated, will permit anything not specifically forbidden by law. However, if groups try to create unrest among the people, the government will act in accordance with the national Constitution. [passage omitted]

PEOPLE ATTACK DRUG PATROL UNIT IN CHAPARE

PY141757 La Paz La Red Panamericana in Spanish 1130 GMT 14 May 87

[Text] Personnel of the Mobile Unit for Rural Areas, UMOPAR, were attacked by residents of the Chapare area during an operation they were conducting on Monday, 11 May. According to an official report, the Chapare residents used dynamite sticks against the unit, in open resistance to the authorities.

Before the operation, UMOPAR patrols had dismantled drug factories between Sinahota and Villa del Carmen. On concluding this operation, the UMOPAR policemen were surrounded by people of the area, who hurled dynamite sticks at them, forcing them to abandon the area.

MALAYSIAN FOREIGN MINISTER ARRIVES FOR VISIT

PY141646 La Paz La Red Panamericana in Spanish 1130 GMT 14 May 87

[Text] Malaysian Foreign Minister Tengku Abdul Rithauddeen has arrived in Bolivia at the head of a delegation designated by the Malaysian Government to carry out an important mission in Bolivia.

They arrived aboard a Lloyd Bolivian Airline plane, and during the next few hours they will hold several meetings. Today at 0930 the Malaysian foreign minister will meet with his Bolivian counterpart, Guillermo Bedregal. At 1100 he will meet with Interior Minister Fernando Barthelemy, and at noon he will hold a meeting with high-ranking officials.

At 1630 he will meet at Government Palace with the president of the Republic. To conclude his visit, the Malaysian foreign minister will sign a joint declaration with Bolivia to formalize the agreements signed during his visit to Bolivia.

BRIEFS

NEW TREASURY OFFICE CREATED -- National Treasury [Tesorro General de la Nacion -- TGN] Under Secretary Ramiro Ortega has reported that a new TGN Administrative Office [Administration Nacional de Subtesoros] has been created to control the TGN operations in the interior of the country. Ortega administered the oath of office to Armando Sanabria, head of the new TGN Administrative office. [Summary] [La Paz PRESENCIA in Spanish 29 Apr 87 p 7 PY]

BUDGET DEFICIT REPORTED -- Budget Under Secretary Jaime Coronado has officially reported that the overall deficit of the national budget, which was approved by Congress, is 673,375,883 bolivianos, and that the deficit is fully financed by foreign credits, community contributions, and other financial resources. He said the foreign credit to cover the deficit is 486,909,067 bolivianos, which will be made in foreign currency. He added that financing through internal credits is 52,771,976 bolivianos which include contributions by the community of 440,806 bolivianos. [Summary] [La Paz EL DIARIO in Spanish 1 May 87 p 5 PY]

TRAFFICKERS' PLANES USING ROAD -- Bolivian Police Chief General Raul Escobar confirmed that small airplanes, transporting cocaine base and chemicals for processing drugs, are using the Chimore- Yapacani road, which is still under construction, to land and deliver their cargo. He said that the police are unable to carry out strict control of the area due to lack of manpower. [Summary] [La Paz EL DIARIO in Spanish 1 May 87 p 5 PY]

COCAINE BASE CONFISCATED -- The National Directorate for Dangerous Drug Control has reported that in the past 24 hours the Mobile Units for Rural Areas (UMOPAR) confiscated 20 kg of cocaine base in several operations carried out in the Chapare region, and in the cities of Cochabamba and Santa Cruz. The UMOPAR forces also destroyed a cocaine laboratory in Senda Siete, and arrested Primo Rejifo Porcel, and Daniel Hurtado Hurtado in Santa Cruz. [Summary] [La Paz PRESENCIA in Spanish 3 May 87 p 3 PY]

FOREIGN MINISTER SAYS GORBACHEV TO VISIT

PY140400 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 May 87 p 4

[Text] Brazilian ambassador to the Soviet Union, Ronaldo Sardemberg, yesterday handed Soviet Foreign Minister Eduard Shevardnadze an invitation from President Jose Sarney inviting CPSU General Secretary Mikhail Gorbachev to pay an official visit to Brazil. According to Minister Abreu Sodre yesterday evening, the Soviet leader has accepted the invitation and will visit Brazil this year.

The first visit of a Soviet leader to Brazil will probably take place in September, when Shevardnadze will visit the country in response to a visit Minister Abreu Sodre paid to the Soviet Union. The Soviet Embassy in Brasilia, however, is not aware of the announcement made by the Brazilian foreign minister that the visit could take place this year.

FINANCE MINISTER ADMITS 'SIGN OF RECESSION'

PY150127 Sao Paulo FOLHA DE SAO PAULO in Portuguese 14 May 87 p a-32

[Text] Finance Minister Luiz Carlos Bresser Pereira, 52, yesterday told the industrial federation presidents, who are members of the National Industrial Confederation (CNI), that the Brazilian economy is showing some signs of recession (negative growth of GNP and employment). He added that the correction of the LBC's (Central Bank Notes) [Letras do Banco Central] will be maintained if strict agreement with the inflation rate neutralizes the possibility of hyperinflation (general, continuous, and accelerated price increase). The minister, who recalled the Spanish political process, ruled out the possibility of a social pact in Brazil without a previous accord being reached among the political parties. He justified the need for a political pact in Brazil, recalling that the Moncloa pact made it possible for Spain to go through a political transition.

No journalists were allowed into the meeting between the businessmen and the minister.

The moderate CNI president Albano Franco, in a surprisingly forceful speech delivered before the minister talked to the businessmen, mentioned the risk of hyperinflation, recession, and the high interest rate. "Mr Minister, please give us a clear sign of the course we should jointly follow," Franco said.

"We are already tired of asking for a clearer policy for a period covering at least the next 24 months," Franco added. He compared the economic policy with "an obscure black box which in recent times has given us only surprises."

After the minister left -- he refused to talk to reporters -- Albano Franco said that the businessmen did not hear the definitions they wanted. However, he praised Bresser's sincerity. "He did not promise an immediate interest rate reduction," Franco said. According to the CNI president, the Minister conceded that it is necessary to take immediate action against hyperinflation and that he will adopt measures against a possible recession, "although he did not say how he will accomplish this."

In his speech, Albano Franco expressed his sector's concern over the growth rate target for this year, which was set at 3.5 percent. "The development our country has achieved in the industrial and, primarily, in the agricultural sector, gives us a chance to achieve a much higher rate in the first half of the year. That is why, if we end the year with a 3.5-percent growth, it follows that the second half of the year will have a negative growth rate, and that it what scares us," he said.

According to Arthur Joao Donato, Rio de Janeiro industrial federation president, Bresser admitted that the country "could" be affected by hyperinflation if the inflation rate cannot be stabilized at a certain level and if the balance-of-trade results do not return to their previous levels. Franco said the minister stressed the need to increase exports.

Luiz Otavio Vieira, Rio Grande do Sul industrial federation president, said the minister displayed "an orthodox approach to the economy," which he considers "appropriate." However, he voiced doubts over the success of any economic measure in the current situation, which is politically "dismantled" [desestruturacao]. "This is an illegitimate government that should immediately call for direction elections," he said. He praised the minister's academic training, but criticized his "naive" views of the Brazilian country. I think he is wrong. We live under a system of state capitalism."

MARCO MACIEL ELECTED LIBERAL FRONT PARTY PRESIDENT

PY141650 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 14 May 87

[Text] Upon being elected president of the Liberal Front Party [PFL], Senator Marco Maciel reasserted that the Democratic Alliance must be maintained. At the ceremony where he was installed as the new PFL president, Marco Maciel affirmed that the Democratic Alliance must be reviewed and broadened.

[Begin Maciel recording] The Democratic Alliance was not just a pact we signed nearly 3 years ago. I believe it was a pact that was instrumental for the transition to a democratic government. Thus, I contend that it was an extremely important pact. However, I believe the Democratic Alliance must be brought up to date, reviewed, and broadened. This must be done because the political scene is always changing and nearly 3 years have passed since the Democratic Alliance was formed.

Thus, it is time, more so since we have a Constituent Assembly in session, to reexamine the Democratic Alliance. My personal opinion is that the Alliance must be maintained, but it must be discussed anew so that, in the face of new challenges, we can regroup our ranks. [end recording]

TECHNICAL FEATURES OF NEW MISSILE VIEWED

PY131608 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 May 87 p 6

[Text] The missile produced by Aerospatiale is of the classical smooth type with rear tail assembly and a 350 km range. Like Avibras' [Brazilian Airspace Industry] SS-300, its design began in 1983.

The engineering prototype of the Brazilian company is 10 meters long and has an aggressive profile. Its weight is approximately 7 tons. Painted in red and white, the missile is being kept at reserve Plant 2 of the industrial complex, where the launching module, which is a container, is being studied. The module will be assembled on Tectran's standard elongated 6x6 carriage. Tectran is a subsidiary of the complex. Each unit will operate indendently: a microprocessor inside the semi-armoured vehicle will receive the coordinates through a teleprocessing system and will make the firing calculations. The box is the firing ramp, which is set hydraulically. The time required to fire the missile is 5 minutes.

After the missile is fired, the SIS, the accompanying inertial system, begins to operate. The SIS was developed by Avibras, with its own technology, to meet the requirements needed to guide the missile during flight. Basically, the SIS provides reference data and continually supplies the internal computer with information on the location of magnetic north with respect to the position in real time, and also calculates vertical and horizontal position. The combination of all this data allows for changes in the rotation of the axis. The processor, which is programmed as the missile is fired with the target location data, permanently keeps a reference point to guide the missile until the SS-300 drops thousands of antitank bombs [submunicoes anticarro], cluster [antipessoal] bombs, fire bombs, antitank mines, bomblettes for destroying airstrips, and several combinations including small laser-guided missiles for attacking radar stations or armoured columns. The missile can also carry a single HE/5 load (already used in the United States).

Iran is the main client of the Brazilian military equipment manufacturers. This country uses hundreds of Urutu, Jararaca, and Cascavel armored vehicles (including an antihelicopter version fitted with a 20-mm fast firing cannon), which are built by Engesa [Specialized Engineers, Inc.]. The Air Force is using Embraer's [Brazilian Aeronautics Company] Tucano to train fighter pilots. The television shows an Avibras feature every day: dozens of multiple-multicaliber ASTROS missile launchers appear on the screen firing on the battlefront as background for the government appeals.

ANALISIS DIRECTOR GIVEN 541-DAY JAIL SENTENCE

PY150147 Santiago Domestic Service in Spanish 2300 GMT 14 May 87

[Text] The Supreme Court has ruled that ANALISIS magazine director Juan Pablo Cardanas must serve 541 days in jail, on charges of slandering the president. The crime was committed through editorials published in April 1986. Lower Court Judge (Lionel Beraux) had sentenced Cardenas to 3 years imprisonment. However, the Appellate Court this year overruled the judge's decision and acquitted Cardenas. After this decision, the office of the metropolitan intendant filed a complaint with the Supreme Court against the Appellate Court decision. The Supreme Court has now ruled that Cardenas did slander the president and he must, therefore, serve 541 days in prison.

CLODOMIRO ALMEYDA CALLS FOR OPPOSITION UNITY

PY061403 Santiago LA TERCERA DE LA HORA in Spanish 28 Apr 87 p 6

[Text] Former Chilean Foreign Minister Clodomiro Almeyda Medina yesterday stressed the need for socialist sectors to achieve unity, and reasserted that he, personally, is willing to achieve this unity. He also expressed his willingness to achieve understanding with other opposition parties, such as the Christian Democratic Party [PDC] and the Radical Party [PR], to achieve a great national agreement.

During a telephone conversation from Chile Chico, where he has been exiled, the political leader said it was necessary to establish a dialogue with the Armed Forces in order to achieve a democratic transition.

During the past few weeks socialist sectors have been working on the idea of establishing a council that will be made up of representatives from the different Socialist Party [PS] sectors: the PS-Nunez sector; the PS-Almeyda Sector; and the PS-Historic sector. This council will be entrusted with coordinating common tasks, with the ultimate goal of achieving the reunification of Chilean socialism. The date for the holding of a "Socialist Party summit" will be established within the next few days, and the results of the study by a commission that studies the achievement of the unity of the socialist sector will also be disclosed at this time.

Clodomiro Almeyda said: "All I can say is that I am willing to achieve this unity and that I believe this willingness is shared by the party leadership and all Socialist Party sectors in general. I will do everything I can to achieve this goal based on Socialist Party principles and on the need to achieve the unity of the socialist leftist sector, which I believe is the main task that concerns us at present. I believe we should try to renew the Chilean left in order to allow socialists and other democratic forces grouped under the Democratic Alliance to achieve what we have always sought: a great national agreement."

Almeyda believes this unity will be achieved "with all those who agree that we socialists should fill the space that belongs to us within the Chilean leftist sector, along with the radicals, and with those Christian-inspired sectors such as the Christian Left, with the Communist Party and the MIR [Movement of the Revolutionary Left]."

Although he said it was unnecessary to elaborate on the objectives of this unity, Clodomiro Almeyda said: "Unity gives strength. We seek common objectives, and this helps to rationalize and organize the Chilean political picture because confusion in the political forces undermines any plans to restore Chilean democracy. If these forces were more united and if they achieved a greater consensus, it would be easier to achieve an understanding, to achieve common objectives, and to achieve progress. Unity will help us grow, unity will help us to become stronger."

Asked about possible obstacles, Almeyda said he cannot answer this question because he was in Santiago for only a few days after he returned to the country. He added that his brother, Manuel Almeyda Medina, a representative of the Socialist Party, is better qualified than he to discuss his issue.

About an eventual dialogue between the opposition and the Armed Forces, Almeyda said: "I believe a dialogue with the Armed Forces, which will lead to a democrat c transition and to the return of national sovereignty to the Chilean people, is necessary."

Regarding the alleged hegemony of the Communist Party within the Chilean leftist sector, Clodomiro Almeyda said: "Well, you are aware of the problem of the correlation of forces. But I, of course, do not think the Communist Party is enforcing its hegemony anywhere, not even within the MDP [People's Democratic Movement]."

LEFTIST SECTORS CALL FOR SOCIAL MOBILIZATION

PY090217 Madrid EFE in Spanish 0056 GMT 9 May 87

[Text] Santiago, Chile, 8 May (EFE) -- Chilean Marxist and leftist parties, grouped under the "People's Democratic Movement" (MDP), today called on social and union organizations to carry out "a social mobilization offensive" to confront a wave of price increases. Acting MDP President German Correa, the National Workers Command, and the National Civic Assembly called on people "to participate in the May mobilizations." Correa, who is acting secretary general of the Socialist Party, Clodomiro Almeyda faction, stated "it is our duty to respond in some manner to the dictatorship's policies."

Commenting on the "IPC" [consumer price index] for April, which totaled 2.4 percent, Correa said "the minimum salary in 1986 represents 63 percent of the 1981 minimum salary."

CORRECTION TO MINISTER DISCUSSES STATEMENT

The following corrections pertain to the item headlined "Foreign Minister Discusses Merino's Statement," published in the 1 May Latin America DAILY REPORT, page E 1:

Paragraph nine, line one: ...Hugo Banzer said the Bolivian proposal is the same proposal he submitted to President Pinochet...(changing phrase "he submitted the Bolivian proposal" to "the Bolivian proposal is the same proposal.")

BARCO, PL REVIEW VENEZUELAN STANCE ON COMMISSION

PA131453 Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 13 May 87

[Text] The Liberal Party [PL] Directorate and President Virgilio Barco evaluated Venezuela's position rejecting the Colombian initiative on reestablishing a conciliatory commission to handle matters concerning bilateral relations. Colombian Ambassador in Caracas Pedro Gomez notified President Lusinchi's government of the Colombian initiative.

Following the meeting, the PL Directorate issued a statement describing our country's proposal as patriotic. The document issued by the PL Directorate following its meeting with President Barco also stated that:

1. The freezing of the dispute in no way benefits Colombian-Venezuelan relations.

2. Our country's position opens new possibilities for talks in various fields, including trade.

3. The treaty in which the Conciliatory Commission is mentioned was a Venezuelan initiative and is participation is obligatory.

4. Delimitation is a normal procedure, as long as international laws are followed.

The PL National Directorate and the Central Political Commission invoked their affinity with the Democratic Action Party, the ruling Venezuelan party, asking President Lusinchi to reconsider his rejection of the Conciliatory Commission.

BRIEFS

QUARTERLY REPORT ON DRUG ARRESTS -- The Colombian General Police Directorate has issued a report detailing the number of antidrug operations during the first quarter of the year. In all, 1,662 alleged drug traffickers were arrested. Also, 638 kg of cocaine paste, 77 kg of cocaine sulfate, 6,299 methaqualone pills. 5,289 rounds of ammunition, 2 dynamite sticks, 2 fragmentation grenades, 49 communication units, 81 vehicles, 2 ships, and 14 airplanes were confiscated. In addition, the police located and destroyed 2,548,900 poppy plants, 2,750 kg of dried cocaine leaves, 8,654 marijuana plants, 73 kg of seeds [as published], 11 clandestine landing strips, and 51 cocaine labs. [Summary] [Bogota EL TIEMPO, in Spanish 4 May 87 p 2 PA]

CALI DRUG LAB FOUND -- Authorities have found 500 kg of cocaine base and several short and long-range weapons at a gigantic laboratory in southern Cali. The operation was possible due to the timely cooperation of the local citizens, according to Desiderio Moreno, commander of the 4th Police Precinct, who directed the raid. Argemiro Solano and two women who the police did not identify were arrested. A dump truck, a Renault taxi, a Yamaha motorcycle, a Honda motorcycle, and a flatbed truck were also seized. Eight bins of hydrochloric acid, paper, filters, a scale, and other drug processing equipment were found. The weapons included four machineguns, two silencers, two revolvers, and several magazines. Many cartridges for various caliber weapons were also seized. [Summary] [Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 7 May 87 PA]

DEPUTY AGUAS REJECTS U.S. MILITARY PRESENCE

PA132242 Quito Radio Quito in Spanish 2300 GMT 12 May 87

[Text] Democratic Left Deputy Milton Aguas has rejected the presence of U.S. troops in Ecuadoran territory. He also rejected a document presented by Defense Minister Medardo Salazar explaining that U.S. reserve forces are in Ecuador to repair roads destroyed in eastern Ecuador by the 5 March earthquake.

Aguas said there is no Ecuadoran legal grounds for permitting U.S. troops in Ecuadoran territory. Aguas said international treaties cannot be broken, and he made historical references to governments that have signed agreements with the United States.

[Begin Aguas recording] In 1972, General Rodriguez Lara considered all military assistance agreements with the United States finished, that is, agreements between the Armed Forces of Ecuador and the United States. However, groups have been coming to our country to carry out exercises called "Unita." When atomic material or equipment is used during these "Unita" exercises, they are automatically violating the Tlaltelolco Treaty. Therefore, I believe we have to be aware of the fact that there is a Tlaltelolco Treaty and the International treaties cannot be violated.

[Words indistinct] is established in Article 38 of the National Security Law, which deals with the obligations of the Ecuadoran Armed Forces. [passage indistinct]

PRESIDENT SWEARS IN NEW LABOR MINISTER

PA130019 Quito Radio Quito in Spanish 2300 GMT 12 May 87

[Text] New Ecuadoran Labor Minister Guillermo Chang Durango today said on being sworn in by President Leon Febres Cordero that he will work for harmony and social peace in the labor sector by harmonizing the interests of the employees and the employers.

Dr Guillermo Chang was sworn in today at 1900 as the government's new labor and human resources minister. The ceremony took place at the Government Palace. Chang replaced Jorge Egas Pena, who resigned last week.

The new labor minister is a professional who has always maintained contact with the country's labor and enterprise sectors.

ALVA CASTRO SPEECH ON ECONOMY TO CONGRESS

PA131950 Lima Television Peruana in Spanish 0122 GMT 13 May 87

[Speech by Economy and Finance Minister Luis Alva Castro at the Senate on 12 May -- live]

[Excerpts] Mr President, senators: I am honored to speak before the Senate of the Republic as the economy and finance minister to present to you the objectives, policies, and measures defining the government's actions in the economic field. In addition, I will also discuss facts and figures that reflect better than any explanation could the results we have achieved in this field. Specifically, I am going to summarize the main accomplishments achieved through the economic policy.

Before beginning, however, I would like to mention some concepts that will help us more broadly visualize not only the results, but also the government actions that have made it possible to achieve our goals. As you know, our specific economic objectives were defined based on a profound diagnosis of the situation that prevailed until July 1985. That diagnosis obviously reflected the 6 months prior to the transfer of government. There were many developments in the first months of 1985 that made us aware of the real magnitude of our national problem. We faced a situation of hyperinflation, not common inflation. We faced a very serious recession, not merely a normal drop of the (?GNP). This was all clearly reported. We must stress that the diagnosis was the result of many years of work by distinguished professionals in our country, many of whom were not members of our party.

Based on social and economic considerations, we decided that our government's priority task should be the progressive and systematic increase of the population's real income, particularly at the poorest levels. Of course, in establishing that objective we were committing ourselves to adopting the necessary measures to meet that goal. In other words, it meant that the economic policy, as well as the specific measures to be adopted, would be subordinate to the development of a program in that direction. Hence, it was not merely a matter of a new government expressing its best hopes while its policies and actions ended up going in different directions. In fact, this is what happened until July 1985. We must remember that previously the economic policy only served to reduce the population's real income and tigthen the belt on the national majorities. Certainly, no matter how clearly an objective was defined, the path for achieving that objective was not chosen at the same time. It depended on the circumstances in the country at the time. Trying to achieve that goal in 1980 was not the same as trying to achieve it in 1985.

In one case, the foreign situation was favorable, while in the other we faced a most difficult situation. Therefore, in order to achieve that fundamental objective, we had to make two immediate decisions in July 1985: First, we had to limit the transfer of funds abroad in the form of foreign debt payments. Those payments had become a factor contributing to the gradual strangulation of our economy, and the debt or development dilemma abruptly appeared before us. Second the funds accumulated by limiting the foreign debt payments had to be invested for the country's benefit. We were obliged to transform the state's role, making it the lever for our national development, not the blind instrument collecting funds to pay our debt that it used to be. [passage omitted]

During the summer months [of 1986] inflation rose rapidly. Then it slowed, and remained at 4 percent per month until the end of the year. The accrued inflation figure for December was 63 percent. This is a great achievement if we take into account all the adverse factors that appeared and the tension that resulted from the fast and unequal growth in production.

Therefore, 17 months after the new economic policy went into effect, the inflation rate was much lower than the first 7 months of 1985. Somehow, we managed to turn the page on this matter and the fears of more inflation completely disappeared.

The price increases of agricultural products were not the cause of inflation in April. That was caused by the fluctuation in the prices of industrial products and of services.

It is obvious that this evolution evidences a relatively better supply of agricultural products and better organization in these markets. It also evidences a relative lack in the supply of industrial products caused by unequal growth in various sectors.

Undoubtedly, the scarcity of certain industrial products benefited retailers, as is customary in these cases. In any event, in late December 1986, there was a challenge to the future evolution of prices. Since that time, prices had to change in accord with the pace of modifications of costs or basic prices. This is the position of the National System for the Control, Regulation, and Supervision of Prices and Supply.

As you all know, the National System for the Control, Regulation, and Supervision of Prices and Supply was created on 15 December 1986. Its main goal is to guide the behavior of prices and to identify the country's supply problems.

In this regard, we had a very important discussion, from an analytical point of view. For many people, prices had to be free at the end of the freeze. They believed this guaranteed a better mechanism to allocate resources for the economy.

However, we maintained that this was not the best way to allocate resources, especially because the national market does not have and cannot have the characteristics of a free market. This is a relatively closed market not only because of a need to protect the national industry, but because it is urgently necessary to preserve the foreign exchange needed by the country.

To open that national market to export, means, Mr President, to promote the destruction of industry. However, at the same time, it means liquidating the foreign exchange reserves available in the country. For this reason, we must control, regulate, and supervise the price changes. We cannot permit abuses by a manufacturer who knows he is protected from foreign competition, especially because we are not willing to punish him by opening the market to his foreign competitors.

In addition, we feel the allocation of the scarce resources we have must be guided by other factors because, among others, the existing income structure is in no way the best one to determine resource allocation.

To do this, the state must intervene with determination, establishing priorities and channeling resources to sectors that truly require them. I must clearly tell you that this does not mean we are ignoring the fact that profit is what moves capitalist production.

Consequently, our goal is to make the activities that we feel are a priority for the country's development more profitable. [passage omitted]

Referring to the foreign exchange situation, we report a sharp decrease in the amount available for financing of our exports.

This, in turn, represented an increase [as heard] in the amount of imports purchased with cash. Naturally, this affected the availability of foreign exchange in the country and clearly provided us with a norm for the future. The level of Peru's capital goods and services imports must more or less equal its capital goods and services exports. Foreign loans should only be used to balance our payments to other countries, including the foreign debt payments.

Consequently, the essential position for the payment of our foreign debt is simply the existence of a positive net flow of foreign exchange. The foreign debt topic is important enough to merit further discussion. We have already said that the essential goal of the government's policies is to limit the transfer of funds to other countries, thus making some economic growth possible. The combined effect of a decrease in export revenues and foreign loans, coupled with extremely high interest rates, made this decision necessary. We have already stated that the government decided to place additional restrictions on the transfer of funds to other countries in 1986. The decrease in export revenues and foreign loans made additional restrictions concerning the transfer of foreign exchange to other countries necessary.

The situation was quite clear late in 1986. Capital revenues were decreasing at a faster rate than the remaining payments of our foreign debt. We had a slightly negative cash flow, and, consequently, lost some foreign exchange. I would like to tell you that we explained to the joint annual IMF and World Bank assembly, held in September 1986, how we were exerting ourselves to the utmost in order to meet our financial obligations. We also said that we expected some understanding from these organizations because we could not possibly accept a negative net flow of foreign exchange for a lengthy period. We said we could tolerate this situation for some months if we could look forward to new credits; however, we could never accept an indefinite loss of foreign exchange.

Given the situation, we have decided to establish further limitations on all payments to other countries. Nevertheless, this makes it necessary to improve our plans concerning payments. We must be more demanding toward all those who receive some type of payment, but we must also open new channels of communication with our creditors, particularly the banks and our providers. Between August 1985 and December 1986, the World Bank and the IDB received 20 percent of all our payments, which represents 2 percent of our overall export revenues. This was a great effort because we want to continue as members of the organization [singular as heard]; however, we will not sacrifice our main goals. Unfortunately, our efforts did not achieve the results we expected and the new program of payments to the organization [singular as heard] could not be implemented. In fact, it was expected that we would implement some of the economic policy variants sponsored by the IMF.

The payments with products currently being made as a result of old financial agreements represent 17 percent of our payments; and the small automatic payments to ALADI member countries in 1985 have risen to $67 million in 1986. We should obviously take additional measures to restrict payments and, above all, to use them as a lever in our relations with other countries. The summer months of 1987 gave us the opportunity to seek talks within a new framework. We essentially sought to reduce the foreign exchange payments and increase the proportion of payments with products. The main idea is to limit the foreign exchange payments to a basic amount, roughly the equivalent of 1 percent of the gross amount of our debt as of July 1985. This amount would be distributed proportionately among all our creditors; nevertheless, whichever creditor makes available an amount in excess of the scheduled sum could eventually receive an additional payment. However, the payments could never exceed the amount received by the country.

Greater efforts may be exerted at the fiscal level but not with our foreign exchange revenues; consequently, the budget law states that an equivalent of $240 million should be used to pay for the products. This amount would also be distributed proportionately among all our creditors, to the extent made possible by the level of our negotiable exports to creditor countries. Mr President, this statement reasserts the government's decision to continue enforcing its limitations on foreign debt payments, and, in particular, to reduce the use of foreign exchange. This also reasserts the government's decision to pay our creditors within the country's capabilities. We have exerted ourselves to the utmost until now to maintain a dialogue with international financial organizations.

Some of those who criticize us can say that we have been excessively patient and perhaps too optimistic. We expected the World Bank's understanding; we even expected the IMF's understanding. However, all we got in reply is strict enforcement of their norms and regulations, plus a constant reminder of their viewpoints on economic matters -- which this government will never accept. We have continued this relationship to the limits of our own interests, and I must now reassert what the president announced: We cannot pay the World Bank more than what it lends us. Consequently, we have temporarily suspended our payments to that organizations.

Now that the banks and our creditors have a more pragmatic view of their financial and commercial relations, we have decided to try even harder to seek reasonable agreements with them. We know that not all the banks and creditors will be interested in a quick agreement with us, but we do know that most of them are willing to reach effective agreements. The reason is quite simple: Our current foreign debt is practically unpayable and any payment is welcome, no matter how small.

If we pay some amount, we will restore our relations with them. This also means that the road will then be opened to carry out complementary operations, either to finance the country's commercial exchange or to carry out investments with a guarantee of payment. I also want to tell you that this is not a theoretical statement; it is a reality because we have progressed some in our talks with some creditors. We will reveal all this in the near future, and we will also reveal all the details of our proposal. This statement not only considers our experience from 21 months in government' it also considers the outlook for 1987. Our foreign debt planning indicated that we had to limit even more our foreign debt payments; thus, we had to seek another option to smooth over our financial relations with some creditors, particularly when these relations are important for our country.

Mr President, I will now refer to fiscal matters. Overall public expenditures did not increase excessively in 1986. Meanwhile, budgeted expenditures have increased as a result of the increase in public employees' salaries. However, we could say that these expenditures are somewhat smaller from the perspective of the GNP. It is appropriate to mention that the cut in interest payments was used to partially finance the increase in public employees' salaries and other expenses. Furthermore, capital expenses have considerably increased following the transfer of these funds.

Moreover, tax revenues have dropped significantly because of the cuts in the general sales tax and the freeze on fuel prices. The government itself sought these results when it adopted the corresponding economic policies. However, we cannot say that the economic measures had a devastating impact on public finances.

Mr President, the deficit -- and this was ascertained by the congressional commission after researching the pertinent documents -- was 3.4 percent of the GNP. This is a manageable level and it is considerably lower than the figures at any time in the 1980-84 period. The same applies to public enterprises; their deficit was restricted to PETROPERU [State Petroleum Agency], CENTROMINPERU [Central Peruvian Mining Enterprise], and ECASA [expansion unknown]. The reason? The drop in oil and mineral prices in the first two companies' cases and, in ECASA's case, the policy of guaranteeing the products' prices and giving special prices to the consumers.

Nevertheless, it is appropriate to mention that these enterprises' deficits were not financed with government funds. Each deficit was covered by debt operations. This is also done by private business. ECASA was the only enterprise to receive government funds, because the government decided to pay the rice producers a price higher than the one paid by the people. In late 1986, we discussed the need to increase tax revenues. This does not mean it was necessary to increase taxes; it was simply a matter of increasing our revenues or improving our tax collection procedures. We also had to prevent an additional cut in our domestic fuel prices. These prices had to be effectively increased in 1987. [passage omitted]

Mr President, the success of the policy to dedollarize the economy has been made evident by the degree of utilization of the national currency and by its total liquidity. The utilization by the end of March of this year was 90 percent. At the end of June 1985 it was only 54 percent.

Lately, the Central Reserve Bank has made assets available [coeficiente de cartera] to commercial banks and financial districts to support the agricultural sector. If to this we add the large volume of resources made available by the Agrarian Bank we find that there has been an extraordinary growth of real-credit of 53 percent from July 1985 to December 1986, and this in the agricultural and livestock sector alone.

Currently, we are continuing to implement agreements to recover state banks to safeguard the people's savings. This is how we had to recover the Amazonic Bank with new capital provided by the Central Bank through the Continental Bank to assure this bank's presence in a region as important to the country as the eastern region. Following evaluations of various proposed alternatives, we had to act quickly to recover that important regional bank. We must not forget that 40 percent of the financial activities in the eastern region are serviced by this institution. This bank, which has been replenished and that provides profits as part of the Continental Bank group, is now owned by the state.

The recovery plan establishes goals and deadlines. The results are there for everyone to see. Thanks to our economic policy and to an efficient effort, 1986 was a year of recovery for banks that had problems.

Mr President, I want to take advantage of this opportunity to deliver to you, and through you to the senators, a complete report on the situation of state banks.

In December, the government had two main concerns: first, to define the exchange and price policies for 1987; and second, to correctly evaluate the obstacles that could be found in the search for the 1987 goals.

Regarding the exchange and price policies, the options were more or less clear, from the point of view of the government. The problem was to establish them in a timely way in order to clear doubts and to put economic policies in order.

Regarding the obstacles, the problem was more complex. There were strong external restrictions and severe fiscal limitations for 1987. In addition, the increase of the utilization of the established capabilities posed the need to make new investments. These investments had to be made to expand factories and to install new production units. The degree of external restrictions forced us to strengthen, first of all, the policy to support exports by using, among other things, the debt as a tool for development. In the second place, the external restrictions made it necessary to redefine the import policy. It became necessary to study the eventual implementation of a foreign exchange policy to properly regulate the utilization of foreign exchange. In the third place, the external restrictions created the necessity to fine tune the debt policy considering that not only was it convenient to further restrict payments, but also to use the debt as a tool for the benefit of the country.

The quantitative goals for 1987 were of two types. One had to do with achieving our most general objective. The other had to do with the restrictions we were facing.

We set for ourselves the goal of growing at a rate of 6 percent. This is the lowest growth rate we had set for ourselves a year earlier. We did not think it would be wise to set a higher goal, as we had done in 1986, because of the external restrictions that existed. We knew that an accelerated growth rate would imply the utilization of increasingly larger amounts of funds from the country's limited reserves. The idea was to consolidate what had been achieved and to set the basis for a new type of growth. The idea was to promote activities that, in economic terms, we call priorities and, especially, to promote decentralized development.

One important element used to support decentralization was the decision to eliminate for some years payment of income tax on revenue derived from newly created productive activities in priority sectors when these activities take place in any location other than Lima. This measure was aimed at increasing profitability on investments during the first few years.

This measure also represents a definite answer to those who wanted to return to the traditional tax-exemption patterns. It is good to emphasize that the government is prepared to contribute to increased investments, and it is doing all it can to do this. What the government is not prepared to accept is to legalize ways of evading the payment of taxes, which is what occurred with generalized tax exemptions.

I want to very briefly comment on the subject of exports. In principle, they should have grown slowly in comparison with 1986. It was thought that it would be very difficult to reach the 1985 level.

Therefore, we had to review this situation with utmost care. Since this is a matter of on-going discussion, I deem it appropriate to reiterate to you my conviction that the foreign exchange rate must be prudently handled. It must never be used as a privileged instrument to promote exports. However, this does not mean that foreign exchange policies must discourage them. I must remind you that in December we once again increased the amount exporters could exchange at the financial market rate. This enabled them to face cost increases in the national currency; for example, wage increases. The purpose, then, was to prevent exporters from incurring exchange rate losses. Therefore, the objective could not be to grant them excess exchange rate profits or to compensate them for the drop in prices in the international market.

At this point, it is worth while to make a small digression. It is true that in countries that export raw materials drops in prices are often accompanied by more or less significant devaluations.

Essentially, this happens because exporters, who are always an imporant pressure group, do not want to bear alone the brunt of the drop in prices in the international market. They always want the country or, if you prefer, the rest of the economy to compensate them for the losses they may face. However, it makes no sense for this to happen. This is the most inefficient and most costly way to subsidize exporters. Often, this is a form of self-deception regarding the true prospects of some export activity.

A realist approach to the problem forces us to face it from another point of view. If we are discussing subsidies, it is better if the subsidies are direct and duly justified. An alternative is the differential exchange rate, and another alternative is a direct state subsidy. This last alternative can be handled through direct or indirect transfers. At any rate, the important thing is to establish that this is a subsidy, and that it is granted to ensure that revenues from foreign exchange do not decrease. Moreover, this subsidy should force exporters to make earnest efforts to increase production. As is well known, production is very low in some export activities.

Second, we decided to reduce the inflation rate and ultimately keep it at the 1986 level. We wanted the system to control, regulate, and supervise prices and supplies to properly correspond to the evolution of prices. We knew that the evolution of the basic costs of the economy, guided by the government, should not create unbearable inflationary pressures. These pressures should not stem from demand. We are talking about aggregate demand, not the demand for a particular product. We were convinced that only the inadequate handling of expectations could lead to across-the-board price increases. Moreover, we also knew that this possibility could imperil economic reactivation. Therefore, preventing the increase of the inflation rate was a priority task.

I will make two comments on this topic. First of all, we were perfectly aware that there could be maladjustments in the market for a particular product. The demand for this product could conceivably increase beyond the capabilities of a short-term increase in supplies. An incidental drop in production could also take place, generating an unexpected maladjustment in some market. However, it is clear that this maladjustment could extend to other markets if, for example, it involved a strategic product.

In any of these cases, we had to prevent a partial imbalance, normal in an expanding economy, from becoming a widespread imbalance, as this could generate inflationary pressures that could get out of control. Moreover, we were also aware of the impact expectations could have on the evolution of prices. Rumors of an alleged depletion of foreign currency could lead to expectations of devaluations which promote anticipated price increases. Comments on the alleged existence of an unmanageable fiscal deficit could also lead to negative expectations on the evolution of the supply of money and prices. It became imperative to combat these expectations by showing the true figures, and also by adopting the necessary measures to face the problems that existed in one case or another.

Third, we decided to increase real wages by 6 percent. As a matter of fact, this meant that wages, that is, the price of the labor force, rose more rapidly than other prices. It also showed the government's interests in moderately stimulating the growth in consumption of rural and city wage earners.

As for agricultural prices, the objective was to maintain the relative level attained in 1986. The improvement of the terms of exchange for farmers, which was basically a recovery, totaled 70 percent in 1986. As is well known, these figures are estimated by linking the prices of agricultural products and wholesale prices of industrial products. It is worth noting that the action of the system to control, regulate, and supervise prices and supplies was indispensable in order to avoid an excessive increase in industrial prices.

Meanwhile, the action taken some time ago by the Ministry of Agriculture and the municipalities is preventing excessive increases in wholesale and retail prices. However, it is also true that this action should be much more effective and more efficiently coordinated.

As is well known, small farm prices [precios en charca], are comparable to the wholesale prices of agricultural products. A fourth objective, although of a different nature, was to prevent the country from losing $300 to $400 million in foreign exchange reserves at a later date because of foreign difficulties and production reactivation. Obviously, this decision meant two things: that the reactivation could not be carried out earlier than planned, and that the allocation of the available meager foreign exchange had to be handled very carefully. Fifth, it was essential that the fiscal deficit remain at a manageable level; this means that fiscal deficit financing was not intended to encourage a general price increase. Any excessive increase in prices could cause serious disorders in the national economy.

In considering the planned salary increases, it is clear that they could have become an additional burden of 0.5 to 1 percent of GDP. There is no doubt that this deficit level, added to that of 1986, could well have been financed. A problem would have emerged if state revenues had decreased in real terms, and this is the fiscal challenge we were faced with in 1987.

Monetary devaluations had formerly been used to increase inflation, reduce revenues and demand, and finally, to limit imports. This was a specific way of creating the trade surplus necessary to pay for the servicing of the foreign debt. The devaluation, that is, the increased foreign exchange prices, did not make possible a direct increase in exports or a direct reduction of imports. Peruvian exports were not and are not sensitive to price modifications, or rather, to exchange rates. They depend in the short-term on the industrialized countries' economic activity. Therefore, the monetary devaluation did not facilitate even the slightest increase in exports. Suffice it to recall the figures of 1980 and 1985 for evidence of this. That was a devaluation that caused the dollar to move from less than 300 soles to almost 12,000 soles in 5 years, and it did not prevent a 25 percent drop in the value of exports.

Imports, or at least machinery and raw material imports, are also not sensitive to the price increases prompted by the devaluation. The devaluation in itself did not reduce the imports of these kinds of products. There is no national substitute for these goods. We can pay more for a certain product, but we cannot stop purchasing the product. This is true in the short-term, and even in the medium- and long-terms. Producing substitutes is the result of a great industrial development effort. It entails large investments, but not necessarily monetary devaluations. Nevertheless, devaluations -- especially when presented in the manner of daily minidevaluations -- become factors that encourage inflation, and thus can be used to reduce revenues, demand, production, and imports.

In December 1986, we were perfectly aware of the difficulties we faced abroad, but we knew that they could not be solved with a large-scale devaluation; we also knew that we could not leave the exchange rate at a fixed rate for an indefinite period. Nearly 1 and 1/2 years had passed since we froze the exchange rate, and the objectives of the measures had been fully met. Therefore, we decided to devalue the MUC [not further identified] and financial market exchange rates by 2.2 percent per month. We were determined to modify the exchange rate in an almost unnoticeable way. It would no longer be used to increase inflation but to check the increase in relative prices.

At the same time, we decided to transfer all imports except food and medicine from the MUC to the financial market. This was a way of avoiding exaggerated increases in the prices of basic products. As a consequence of this decision, we adopted an automatic system to adjust prices every time there was a devaluation. This adjustment operated within the framework of a system of control, regulation, and supervision of prices and supplies previously presented.

As I said before, this system was an effort to organize price increases. In this regard it was an essential point of reference for businesses. It was the answer to one of the greatest problems of the time: How to overcome the freezing of prices without re-igniting inflation? I must point out, however, that the possibility of readjusting prices was always a consideration. We even made legal arrangements to deal with specific requests for readjustments. By adopting these measures the government simply ratified the general foundations of its economic policy. The new exchange policies were radically different from those of the past, as were price policies, the total freedom to establish prices was restricted, and prices were to develop in an orderly manner, based upon certain well-established criteria. There was not, therefore, even the slightest intention of promoting a devaluation, nor the desire to revive inflation. On the contrary, the objective remained to increase real revenues; to do so the control of inflation was decisive, not to say conclusive. The first months of 1987 were marked, just as in 1986, by a revival of inflationary pressures. The 4.6 percent rate in December, the highest index of the final trimester in 1986, was followed by a 6.6 percent rate in January. This in turn was the highest rate of the first 18 months of the government. [passage omitted]

Nevertheless, we must point out that at this time agricultural and livestock prices were not the only ones to pave the way for inflation. The increase of inflation was considerably lower than that of the previous year. The price increase of agricultural and livestock products accounts for half of the January 1986 inflation. The increase of these prices only accounts for one-fifth of the inflation as of January 1987. In truth, industrial prices and, above all, price increases in the trade, tourism, and transport sectors determined the general price increases. A similar phenomenon occurred in Februry, March, and April. The prices of the agricultural and livestock products rose less than in the same months of the previous year. In addition, the prices of industrial products and those of activities classified in the trade sector rose more rapidly than in the same months of the previous year.

The price increase in the summer of 1987 is linked to the raises authorized by the government itself, unlike the raises in the summer of 1986. Nevertheless, these raises account for only 30 percent of the increase. If we add to these the increase of prices of agricultural and livestock products and additional adjustments, we can account for 60 percent of the price rise at the most. Consequently, at least 40 percent of the inflation can be accounted for by raises ahead of schedule due to unfavorable expectations or, if so desired, due to price raises ahead of schedule as protection against future inflation or to get additional benefits.

Regarding this, I believe it is important to point out that groundless rumors about currency availability and exchange rates have caused negative expectations. In other words, manufacturers and businessmen were invited to protect themselves against the presumed currency shortage and the large devaluation that would supposedly occur.

In the first quarter of 1987, national production stayed at the levels of the fourth quarter of 1986. We understand that these first months of the year have been of assessment and adjustments at the enterprises.

Also in these months, inflation skyrocketed and the purchasing power momentarily declined. Naturally, this has influenced not only sales during the period, but investment plans for the current year. Everybody knows that the investment in machinery and equipment is decided upon based on market behavior. The increase of production and sales during the second half of 1986 favored the making of investment decisions, the effects of which have just begun to be felt in 1987. We must notice that if we compare the production of the first quarter of 1987 to that of the first quarter of 1986, we will see a very significant increase. Let us remember, at any rate, that production grew very slowly in the first months of 1986.

During the first months of the year, the movement of currency reserves was truly negative. This certainly contributed to lending some credit to the alarmist rumors that were disseminated. During the first 3 months of 1987, close to $200 million in reserves was lost. This rate was not at all bearable during the year. To incure such losses in the next 3 quarters would have critically lowered the reserves. Fortunately, the reserves rose again in April. The current net currency reserves of the banking system total $914 million. This figure is higher than that of July 1985.

Anyway, let us keep in mind that imports have increased considerably because of the reactivation and that export revenues decreased because of the price drop. Consequently, we have to point out that in 21 months, we have caused the economy to grow in adverse foreign conditions and that the available reserves are not lower than those received. The evolution of the fiscal accounts merited follow up, but not concern at all.

Maintaining fuel prices meant an additional reduction of real income from this sector. Certainly we do not intend and we will not permit oil to again become the main source of revenue of the national treasury. We have believed that international conditions forced a price reduction. This was also determined by the government's goal to diminish the relative weight of indirect taxes. It was not reasonable to think, however, that oil prices could continue to be frozen permanently. Should this have happened, both the State Petroleum Agency and the treasury would have seen their real revenues decrease. Nevertheless, the situation was completely manageable, particularly because income tax collections from March to April were relatively good. In addition, expenditures did not experience any real increase.

Despite this, rumors began to circulate regarding price rises for fiscal reasons. The government was expected to raise prices and rates between March and April. Above all, real revenues were expected to decrease considerably. In other words, it was suggested that the countdown for the economic policy had begun. Presumably, the government had to raise prices and lower demand to avoid a setback in the foreign sector and fiscal accounts. Although it was groundless, this reasoning began to influence the expectations of the economic agents. As of this moment, this reasoning has become part of a reality which, I must say clearly, we should have combated more strongly.

It is good to keep in mind, in order to better assess the measures adopted recently, the objectives we proposed at the beginning. We have said that our basic objective was to gradually increase the population's income level and, in this way, increase national demand and production. If, due to the combination of unforeseen factors, inflation increased very much for some months, we could not let real revenues diminish. We had to increase nominal salaries and also make a special effort to check inflation pressures.

In this direction, we wanted to increase the nominal income of both urban and rural workers. Consequently, we ordered a 40-percent increase of the minimum salary and a 30-percent raise for both workers not included in collective contracts and state employees. If we compare the real salaries at the end of April 1987 to those at the end of July 1985, this is the situation we will have. The minimum legal income was increased by 36 percent. [passage omitted] Generally, various methods are used to take foreign exchange out of the country. Here we are facing very old practices and habits that are not temporary or motivated by expectations of devaluations, although circumstantial fluctuations in the foreign exchange market may contribute to them.

In the past it has been the norm to expatriate large quantities of companies' profits and to finance the flight of foreign exchange when it was considered profitable. Certainly both of these practices are not allowed in present-day Peru. The most serious problem in Peru and in other Third World countries is the limited availability of foreign exchange. We have said it before and we repeat it now: A set of external factors has determined the drastic reduction of our availability of foreign exchange. Moreover, a giant foreign debt exerts pressure on our limited available resources. All creditors believe they have a right to a share of these resources. Because a lack of trust has been ingrained in the country, it is difficult today to generate trust despite the success of our economic policy. Any restriction, no matter how manageable, sparks rumors, especially with the climate of violence causing insecurity in present-day Peru.

We are practically forced to close down all foreign exchange outlets in the country. We have no other option. We have to centralize its distribution because of its strategic nature. That is why we have adopted measures to reduce the flight of foreign exchange. Foreign exchange, Mr Senators, must be used to purchase machinery, equipment, food, and medicines. In no way should it be used to expatriate the profits of national enterprises or, according to what was established in July 1986, to expatriate the profits of foreign enterprises.

When world commerce recovers and our exports increase, we will be in a better position to make our foreign exchange system more flexible. In this regard, the government decided this summer to establish the foreign exchange budget to regulate the purchase of goods abroad. Beginning in April this measure included services; therefore, we established a license for the hiring of services. As is widely known, the payment of services was a measure used by many people to take foreign exchange out of the country.

Allow me to say that any past lack of efficiency in handling these licenses can be corrected. Our intention is to establish the most efficient mechanism for the proper functioning of the system.

You must understand that our intention is not to place administrative obstacles on imports; otherwise, we would be adversely affecting the normal development of production and investments that we want to promote. The truth is that our objective is quite the opposite. We intend to provide the best conditions possible to those who use foreign exchange to produce and to invest. However, to allow this, we are forced to limit access to foreign exchange to those who seek to expatriate foreign exchange. We are not concerned about those who buy a few dollars in the free market to write a money order or buy a gift. We are only concerned about a speculative demand for foreign exchange. In any case, you can be sure these minor requests will be taken care of without problem. After all, they do not have a significant impact on the foreign exchange market. The decision to restrict the payments on the foreign debt was certainly unavoidable, as we have already said. Peru is unable to afford the luxury of paying debts while receiving nothing in exchange. Obviously, this did not mean we would lose a net amount of foreign exchange, absolutely unsustainable under today's circumstances.

I want to say once more that we have told the World Bank about the need to establish a balance between what we pay and what we receive. We have also proposed to other countries in Latin America, especially Argentina and Brazil, the renegotiation of the debts still pending. All this is to limit foreign debt payments even more. Regarding fiscal restrictions, we must say they will be less significant, especially because of the additional reduction of debt payments, but also because of the increase in taxes on cars, cigarettes, and alcoholic beverages. As you all know, in April we increased taxes on a series of goods. We have also begun to increase the prices of frozen fuels for the next 20 months.

Without doubt, the most important element regarding the modernization of our enterprises, especially of their financial structuring, is the measure we have adopted with regard to the stock market. The idea is to increase the number of firms whose stocks are quoted in the market. This will increase the availability of stocks to be exchanged. On the other hand, we want to stimulate the development of the market and to increase the number of shareholders in the firms. The possibility of growth by distributing income is within reach.

No one doubts there are a number of restrictions, especially external restrictions caused by the deterioration in the international situation. However, I want to tell you the country's reserves are more than sufficient to stimulate a new growth cycle. Nevertheless, it is clear that we cannot afford the luxury of squandering foreign exchange. The wise handling of foreign exchange has become an urgent need for us. We are forced to budget our foreign currency to purchase goods and services. This mechanism may restrict to some extent companies' operational flexibility. In fact, this has happened and is still happening in some cases. Still, I must tell you that in this case, the cure is indeed better than the illness. Anyway, you know we are prepared to correct the mistakes noted in administering this cure. However, we are not prepared to stop giving the medication, as that could truly kill the patient. I would also like to tell you the effort to reorganize the national economy involves all of us. Success becomes a must if we want to walk along the path toward progress. When implementation of the emergency program began, it was said that it would not last long. When we declared that the value of the commercial debt with U.S. banks had depreciated, it was also said doom was around the corner. The same happened when we had to limit our payments to the IMF. The IMF declared us ineligible to obtain further resources from that organization. This summer, when the reserves plummeted, some revived the specter of a foreign blockade and the collapse of national production.

The economic policies followed by our government have been successful because they were adjusted to the demands of the country's economic and social situation. We could not tighten the people's belt any further; we had to loosen it for social and economic reasons. At present, we are not prepared to tighten that belt so that a few can have the possibility of freely sending foreign currency abroad. And we are certainly not going to do it so that people beyond our borders can receive timely payment of a debt for which they are largely to blame. We feel it is indispensable that we continue loosening a belt that is still too tight. For that reason, we want to gradually improve the people's purchasing power and well-being.

Therefore, we want real revenues through growth, investments, and continued expansion. We are not going to give up these fundamental objectives. We will do everything within our power to lift restrictions that may exist. The measures we have adopted to reach our objectives have proven to be on target during 21 months of government. Of course, we admit that there were some mistakes in what we did or failed to do. Some say that we overly delayed the implementation of the foreign exchange budget. There may be some truth in that. However, I want to stress that our reaction has been relatively swift. In fact, we are efficiently leading the ship of state. Although we have many flaws, we are guiding it to a good port.

However, I want to tell you that your support, that is, the contribution of all the political groups in the country, is as important as the contribution of workers and businessmen. However, the responsibility for governing is ours, and we have not relinquished it.

Victor Raul [Haya de la Torre] once said that reason indicates that governing a country, especially a country like ours, calls for higher qualities not only in one man but in a group of men linked by one ideology, who are true to a program of principles and subject to discipline. Although our government has such a group of men linked by one program and organized in one party, there is no doubt we need the consensus of the people. We are obliged to stabilize democracy under particularly adverse conditions. It is not easy to handle the economy while simultaneously facing so many restrictions. However, we have done so and will continue to do so if we continue to have the support of all Peruvians, as has been the case until now.

Messrs representatives: The democracy we long for is not the formal sort of democracy that only summons the citizens every 5 years to cast their votes. Our view of democracy is more broad and far-reaching. Victor Raul Haya de la Torre defined it as a democracy of bread with liberty; that is, a social, political, and, most of all, economic democracy. For that reason, we have followed the nationalist path of meeting the needs of our people first, before attending to the foreign debt.

For that reason, we have followed the path of granting priority to meeting the basic needs of the majority of the people of our nation. For that reason, we have followed the democratic path of consensus. We have allowed all productive sectors and all social leaders to participate in determining economic policies. Because we are deeply democratic in our way of thinking and in our actions, we submit to you, messrs senators and representatives of the Peruvian people, a summary and assessment of our action to learn from your views even though some of you do not necessarily agree with us. Also, we want to gain strength from your counsel and views, as we know that all of us have come together in the historic task of building jointly a different future for our country and for the welfare of all Peruvians. Thank you. [applause]

ECONOMY MINISTER DEPARTS FOR MEXICO 'SUDDENLY'

PY142045 Paris AFP in Spanish 1728 GMT 14 May 87

[Text] Lima, 14 May (AFP) -- Alva Castro, prime minister and economy and finance minister, left for Mexico suddenly this morning, after participating in a long congressional session on the country's economic situation.

Alva Castro, who left on Aero-Peru flight 623 together with his wife, will soon have to face a congressional interpelation of the Cabinet over which he presides. The questioning comes at the request of the opposition congressional bloc formed by the United Left, Christian Popular Party, and Popular Action.

United Left Deputy Manuel Dammert revealed that the Cabinet has already received a notice to appear in the Chamber of Deputies on 25 May.

The request came in the wake of Minister Alva Castro's 3-hour presentation to the Senate on his monetary and fiscal policy, which excluded any mention of the structural and fundamental problems his administration faces.

Alva Castro's voluntary presentation on the country's economic policy was followed yesterday by a long and acrimonious session that lasted for more than 12 hours, with the participation of a score of speakers both from the opposition and the progovernment party who exchanged strong criticism.

Former Prime Minister Manuel Ulloa went so far as to request the resignation of Minister Alva Castro. He said: "If Dr Alva Castro wants to be economy minister and presidential candidate at the same time, it would be better for him to resign his post rather than continue to hurt the country's interest."

CANADA CONVERTS ALL CREDITS SINCE 1981 TO DONATIONS

PY092112 Lima Radioprogramas del Peru Network in Spanish 0005 GMT 9 May 87

[Text] The Canadian Government has decided to donate to the Peruvian Government the outstanding balance of all credits granted to Peru since 1981. This was announced by President Alan Garcia after a meeting with Margaret Cartley, president of the Canadian International Development Agency.

[Begin recording] [Garcia] Margaret Cartley is visiting our country to verify our economic development and to offer Canadian financial and technological cooperation. She has just submitted a proposal to us which is very important, I would even say moving. Canada is going to change the rules of the game with Peru. It is going to donate all the credits it has been granting and disbursing. All the credits we have been receiving from Canada are going to be gradually and progressively converted into donations. We will not pay them back, and of course we will not pay interest. I think this is Mrs. Cartley's most imporcant proposal. She has also proposed opening new lines of financing, cooperation, and donations to Peru. Canada is a very good friend of Peru's. Canada is an example of a world power that has decided to help in this manner a country like ours, which is making great efforts to develop and to attain economic independence. This is a good example of the way in which foreign policy can decisively contribute to the gradual and progressive solution of the problems our country has to face. Engineer Pantaleon [not further identified] will give you the details of this important offer, which has no precedent. It is an offer that proposes to convert credits being disbursed into donations.

[Pantaleon] We owe nearly $20 million on credits assigned to projects like the Huancho-Cerro de Pasco-Tingo Maria power line, the building of sewers and rural development projects in Cajamkarca, support for Alpaca raising cooperatives, and support for the forestry industry. All these credits, outstanding since 1981 and amounting to $20 million, will be donated.

[Pantaleon] We are now going to sit down with the representatives of the Canadian International Development Agency to plan Canadian cooperation for the next 5 years. This coopration is not going to be in the form of credits but rather in the form of donations. It is difficult to give figures. Nevertheless, I can tell you it will include approximately $10 million a year in wheat. It might also include machinery, capital goods, or raw materials for twice this amount. It will include items produced in Canada to improve our balance of payments, because Peru imports wheat, and instead of spending our hard currency on wheat, we will use the Canadian Government donation. We might consider other products too. We have agreed that the outstanding balance of all these soft credits to be repaid in 30 years with a 10-year grace period will be donated by the Canadian Government.

This amount might be increased. We are going to submit an assortment of plans for what we consider to be the most urgently needed programs in Peru. We are speaking of medium-term projects and small industrial and agricultural projects including support for small business, support for the children's foundation, particularly for emergency areas, where mental diseases are prevalent among children. This is a very positive step in international relations because Canada is the first government to convert financial cooperation into donations. [end recording]

BRAZILIAN FOREIGN MINISTER TO MAKE OFFICIAL VISIT

PY142218 Paris AFP in Spanish 2022 GMT 14 May 87

[Text] Lima, 14 May (AFP) -- It was officially announced today in Lima that Brazilian Foreign Minister Roberto de Abreu Sodre will officially visit Peru on 21 and 22 May at the invitation of his Peruvian counterpart Allan Wagner.

An official communique from Torre Tagle, the Peruvian Foreign Ministry headquarters, states that Sodre will come on an official visit to discuss bilateral relations, and establish plans to strengthen the ties between the two countries.

Diplomatic sources have reported that Brazil and Peru will concentrate on cooperation projects for the vast Amazonas region, which is shared by the two countries. A huge deposit of natural gas has recently been discovered in the southeastern part of the region, and Peru is interested in selling the gas to the neighboring country.

Brazil and Peru form the Amazon Pact and are also part of the Contadora Support Group, together with Argentina, and Uruguay. Thus, the two countries are also seeking a peaceful solution to the Central American crisis.

SEPULVEDA DISCUSSES RELATIONS WITH UNITED STATES

PA150112 Mexico City Red Nacional 13 Imevision Television in Spanish 1955 GMT 13 May 87

[Text] Shortly before leaving for Stanford, California, where he will meet with his U.S. and Canadian counterparts, Foreign Secretary Bernardo Sepulveda discussed relations between our country and our northern neighbors.

[Begin reporter Rocio Galvan recording] Foreign Secretary Bernardo Sepulveda said this morning before leaving for Standord, where he will deliver important lectures, that relations between Mexico and the United States must be based on reality and the merits of the two countries. He said dealings between Mexico and the United States must be respectful and realistic, not formal or rhetorical.

The foreign secretary thus answered questions in regard to the statements by Charles Pilliod, U.S. ambassador to Mexico. He said relations between the two states are based on the recognition of a foreign policy that is independent, sovereign, and freely determined as well as on respect for their constitutions and exercise of their sovereign powers. [end recording]

U.S. Envoy's Remarks Rejected

FL141750 Mexico City NOTIMEX in Spanish 0039 GMT 14 May 87

[Text] Mexico City, 13 May (NOTIMEX) -- Mexican Senate leader Antonio Riva Palacio has said Mexico will never accept the involvement of U.S. diplomats in the nation's internal affairs. The legislator denied that Mexico's foreign policy is selective as stated yesterday by U.S. Ambassador to Mexico Charles Pilliod in Guadalajara, Jalisco.

Riva Palacio stressed that Mexican foreign policy is based on recognized universal principles of self-determination of the peoples, nonintervention, and peaceful cooperation. The country's foreign policy will in no way be modified because of other nations' conflicting positions, stressed the parliamentary leader during an interview after the permanent session of the Congress.

The Senate leader said that relations between Mexico and the United States are respectful and if at times their foreign policy is irreconcilable, it can be modified in accordance with the positions taken by each country at international forums. Mexico is in compliance with the principles that form the basis of its foreign policy, said Riva Palacio, and is in no way selective in cases or events which occur in [words indistinct].

Freedom of speech is a right of all citizens of the world and Mexico respects this, said the Senate leader, but statements or positions are rejected when they affect national integrity.

For his part, Chiapas Senator Patrocinio Gonzalez Garrido said the U.S. ambassador has overstepped his boundaries and his statements are a reflection of intervention in Mexico's foreign policy and these remarks deserve to be rejected and discredited.

He said Mexico's decisions and attitude are liberally based on constitutional principles and foreign policy traditions and under no circumstance are subject to negotiation. Mexico maintains a sovereign position that will not be modified under any type of pressure or by statements made by foreign politicians, said the senator.

During the Permanent Commission session, the deputies of the leftist faction, Heberto Castillo, (Idilberto Gaytan Marquez), and Reyes Fuentes Garcia, stressed that the statements made by the U.S. ambassador have begun a new wave of U.S. interference in Mexico's policies, similar to that carried out by his predecessor John Gavin.

CONSULAR MANUAL PROTECTS RIGHTS OF ILLEGAL ALIENS

FL141627 Mexico City NOTIMEX in Spanish 0441 GMT 14 May 87

[Text] Mexico City, 13 May (NOTIMEX) -- In order to defend the rights of Mexicans who are in the United States illegally, the legal adviser and general management of the office of consular protection and services of the Mexican Foreign Secretariat (SRE) have created a manual on consular protection, defense, and legal advice.

The SRE said this document is in response to the implementation of the Simpson-Rodino Law and has been sent to the Mexican Embassy and general consulates in the United States for distribution. The manual proposes various legal solutions to ensure the protection of rights, which could be violated during the application of the Simpson-Rodino Law.

Finally, the SRE said Mexican consulates have received examples of legal and administrative documents to be presented, if necessary, to the corresponding legal or administrative authorities in the United States.

NICARAGUAN VICE PRESIDENT GRANTS NEWS CONFERENCE

FL141543 Mexico City NOTIMEX in Spanish 0440 GMT 14 May 87

[Text] Mexico City, 13 May (NOTIMEX) -- Nicaraguan Vice President Sergio Ramirez Mercado expressed his hope that the Central American summit in Esquipulas in June will promote concrete proposals for regional peace and will not limit itself to just expressing good will.

During a news conference, Ramirez Mercado, who concluded a private visit to Mexico City during which he met with Mexican President Miguel de la Madrid, said they analyzed the perspectives of the Esquipulas meeting, the Central American situation, and the actions of the Contadora group.

He also said his country does not seek conflicts with its neighbors and he called Costa Rican President Oscar Arias a man of good will who wishes to contribute to Central American peace. At this time, he said, Nicaragua considers the Arias plan to be a valid proposal which does not oppose the efforts of the Contadora group.

In reference to the F-5 combat planes the United States recently gave to Honduras, Ramirez said Nicaragua has been forced to bear weapons and we have received gifts of military equipment from people who no longer need them. Finally, the Nicaraguan vice president denied that his country is Marxist-Leninist and he accused the anticommunists of being responsible for the regional crisis.

FOREIGN MINISTER CLAIMS CANAL ACCOUNTING 'RIGGED'

PA141551 Panama City EXTRA in Spanish 12 May 87 p 2

[Text] Foreign Minister Jorge Abadia Arias has accused the Panama Canal Commission of keeping a "rigged" accounting system to reduce the funds that should return to our country as established by the Torrijos-Carter Treaties.

The statements made by the foreign minister appeared in an internal Foreign Ministry document.

The document states: "Due to the Panama Canal Commission's rigged accounting practices, the profits of the canal operation disappear."

According to Dr Jorge Abadia Arias, these irregular accounts have resulted in "Panama being paid less than 7 million of the 70 million balboas of profit that should have been paid for the use of its main natural resource."

The top-level Panamanian official added that these accounting practices and "the canal operation expenses established by Law 96-70 cause 60 million balboas to disappear from the commission's accounts. This money vanishes as a colonialist tribute instead of being invested to improve the waterway," he said.

HOUSING MINISTRY TO USE MONEY FROM FROZEN ACCOUNTS

PA131238 Panama City EXTRA in Spanish 12 May 87 p 2

[Text] Attorney General Carlos Augusto Villalaz has told EXTRA that the $10 million frozen in the bank accounts of the Colombian drug traffickers who were recently captured by the U.S. Drug Enforcement Agency (DEA) in the so-called Operation "Pisces," will be used by the Panamanian Government to finance low-cost housing.

The attorney general made these statements at a conference held in the offices of the Panama Banking Association, where he gave information to bankers and reporters on the criminal prosecution initiated by his office to investigate 52 bank accounts use by drug traffickers to transfer funds from the United States to Panama. Even though it was originally reported by the Panamanian Foreign Ministry and the U.S. Department of Justice that $116 million had been transferred to our country, Villalaz lowered the figure to only $10 million.

Asked about what will happen to the money in question, Attorney General Villalaz said that first "the funds will be frozen, then the money will be confiscated. If personal property is involved, it will be sold at public auction and the money will be used to finance low-cost housing."

As is widely known, the Housing Ministry is the government institution in charge of carrying out these types of programs.

Moreover, Paul Smith, president of the Panama Banking Association, said regarding the case currently being investigated by the Attorney General's Office: "In Panama there has been no crime committed commonly known as money laundering, (because) the money that was deposited in the frozen accounts was received by local banks by virtue of transfers from foreign banks."

BELIZE

FOREIGN MINISTER ON HARDENED ATTITUDE OF GUATEMALA

FL080330 Bridgetown CANA in English 2237 GMT 7 May 87

[Text] Georgetown, Guyana, May 7, CANA -- Belize Foreign Minister Dean Barrow today said Guatemala appeared to have hardened its attitude to the Central American state over their long-standing territorial dispute.

Barrow told the opening session of the 13th regular meeting of the standing committee of Caribbean Community ministers of foreign affairs he met his Guatemalan counterpart, Mario Quinones, in Miami last week to discuss the century-old claim to Belize.

Regrettably, what emerged from the meeting is that the territorial pretensions of the Republic of Guatemala appear to have hardened with the advent of a civilian government, he told the ministers meeting here. Belize must now confront a situation in which a legitimate Guatemalan Government gains increasing goodwill from the international community on the basis of its putative democratic credentials while this same government continues to insist on the truncation of Belize's sovereignty that would be a complete denial of Belize's own democratic right to self-determination and territorial inviolability, Barrow said.

Barrow stressed, however, that the Belize government had no intention of restricting the people-to-people contact, which was developing between the two Central American states. He added that the time may thus have come for Belize, with the help of Caricom, to launch an initiative to expose and reject the contradictions inherent in the position of the Guatemalan Government.

He noted that just prior to his meeting in Miami with the Guatemalan foreign minister, Belize received a private trade mission from Guatemala.

We in Belize still believe that developments of that sort can help to create an atmosphere of understanding, he explained, adding that eventually the political difficulties would be resolved on the basis of sovereign equality and mutual respect for territorial integrity. In this context, he noted there were positive developments in relations between Guyana and Venezuela, which made it possible for Guyana's President Desmond Hoyte to visit Venezuela earlier this year and agree on the setting up of mechanisms for the strengthening of bilateral cooperation between the two countries.

Venezuela has a long-standing claim to two-thirds of Guyana -- a claim Georgetown rejects.

EL SALVADOR

PRESIDENT DUARTE COMMENTS ON AMNESTY PROPOSAL

PA142256 San Salvador Radio Cadena YSKL in Spanish 1630 GMT 13 May 87

[Report by Oscar Benancio Ramirez]

[Text] President Jose Napoleon Duarte stated today that in accordance with Costa Rican President Oscar Arias' peace plan, he has proposed an amnesty that will humanize the situation instead of increasing problems. For this reason, President Duarte is presently studying possible changes in the penal law. He termed this an important step forward. In addition, the president stated that he has excluded kidnappers and drug traffickers from this amnesty because they undermine the country's security. In view of the latest rebel attacks, the president stated that the guerrillas could cause minor incidents.

[Begin recording] [Duarte] From the military point of view, the Armed Forces are more professional, stronger, and better qualified to guarantee the country's security every day. Obviously, the rebel forces that we have in the country could cause some incidents, like the one in San Francisco Gotera, which was insignificant, as we all know. These are incidents in which they can fire from a distance of 4 km and kill some people. However, this is all the guerrillas can do. They can continue placing mines to kill civilians. Last week more than 15 civilians were killed. They can inflict this type of damage; it is terrorist damage. However, the military forces, the Armed Forces are working, are professional, and are capable of providing security to the area. I want to make this clear: The rainy season began yesterday; the Armed Forces are all over the country providing protection, so this is the time to plant crops.

[Reporter] It has been said that in your speech this morning you (?outlined) a peace plan.

[Duarte] This has always been part of my speeches. It is fundamental to talk about peace. To talk about a peace process implies that I am taking steps forward. Some days ago, I proposed some steps, such as amnesty. I want to make clear that amnesty is not a proposal to aggravate the war. Quite the contrary, it is a humanizing process. It is a process through which we would be making all possible allowances for those people who want to join in the democratic process. We had been giving... [changes thought] another important step that we have taken is to make changes to the penal law so that those offenders who want to make use of the country's pacification process can do so. I want to make clear that these opportunities are not open to murderers, terrorists, kidnappers, drug traffickers, or rapists, who undermine the country's security. [end recording]

This morning, President Duarte and top-level military officers attended the ceremony marking the fifth anniversary of the Ramon Belloso Batallion. He stated then that the FMLN rebels are losing popular support each day. This was said in response to a statement by rebel leader Salvador Samayoa to the effect that the present government is getting structurally weaker. Moreover, President Duarte stated that, contrary to speculations there will be no changes in the Armed Forces High Command.

GOVERNMENT, GUERRILLAS MEET IN MANAGUA

PA150007 San Salvador EL MUNDO in Spanish 12 May 87 p 1

[Report by Rene Hurtado]

[Excerpts] Reliable sources today told EL MUNDO that on his third anniversary as president of the Republic, on 1 June, President Jose Napoleon Duarte will announce the continuation of the dialogue with the FMLN-FDR. This dialogue was abruptly suspended on 19 September, when talks prior to the meeting indicated the city of Sesori, in the northern region of San Miguel Department, as the site for the third dialogue in the search for peace. [passage omitted]

Recently, Culture and Communications Minister Julio Adolfo Rey Prendes said that during the IPU meeting held in Managua, Nicaragua, he had contact with the Social Christian Party [of El Salvador] but noted that they "did not talk about anything." However, Legislative Assembly President Dr Guillermo Antonio Guevara Lacayo has affirmed that they discussed "the government's will to continue the talks."

The meeting between the government and the guerrillas took place in a Managua hotel. The meeting was attended on the government side by Rey Prendes and Guevara Lacayo, and the FMLN-FDR was represented by Dr Ruben Zamora and Jorge Alberto Villacorta.

Zamora has confirmed that the meeting was held and referred to a continuation of the dialogue between the government and the guerrillas by noting that "this war is not going to be won by the Army. Peace will come only as a result of talks and negotiations."

According to our source, there will be cabinet changes on the third anniversary of the Christian Democratic Party government as a result of "pressure from some presidential aspirants who seek support within the party."

The source said that there will also be changes in the Armed Forces high command as well as at intermediate levels. The source mentioned the case "of Colonel Roberto Mauricio Staben, of the Arce Battalion, who is being transferred to Military Detachment No 4, in San Francisco Gotera, and that of Colonel Mauricio Ernesto Vargas, who is going to form part of the staff."

OPERATIONS CHIEF ASSESSES GUERRILLA ACTIONS

PA100410 San Salvador Canal Seis Television in Spanish 0100 GMT 9 May 87

[Remarks by Colonel Jose Emilio Ponce, chief of operations of the Salvadoran Armed Forces; date and place not given; monitored in progress -- recorded]

[Text] [Announcer] ... mobilization of great contingents of men to the combat zones. Small units decrease possibilities of an ambush.

[Ponce] We have greatly stressed the (?deployment) of small units and night operations. We have witnessed the effectiveness of these small units and night operations in the battlefield. I think we are now prepared to execute a kind of unconventional warfare, and we are doing it on the battlefield.

[Announcer] Col Ponce said that, in view of the recent attacks against the country's military garrisons, the Army has found that the guerrillas have improved their communications network and their concentration ability.

[Ponce] You will remember that by the year 1983 the subversives had [words indistinct], in other words, they were a little larger. Because of the Armed Forces' efficiency in 1984 and 1985, they scattered their forces into small groups. This was because we forced the subversives to keep constantly on the move. We did not allow them to organize, train, or rest. In addition, we prevented them from properly coordinating their actions. Surely, through foreign support, they have acquired somewhat more sophisticated communications equipment. In this way, they have been able to rally groups of terrorists [words indistinct] at a predetermined place.

[Announcer] The Armed Forces' chief of operations also said the Army has accomplished 80 percent of the political and military objectives of the nationwide "United To Rebuild" especially executed in the country's areas in conflict.

GUERRILLA LEADER VIEWS DIALOGUE, PEACE PROSPECTS

PA061903 San Salvador Canal Seis Television in Spanish 0100 GMT 5 May 87

[Report by Roxanna Lemus; monitored in progress]

[Text] ...does not mean a withdrawal from the search for a political solution to the conflict, guerrilla leader Salvador Samayoa has said in an interview.

The recent guerrilla attacks on the El Paraiso and San Francisco Gotera barracks have shown a rebirth of rebel activities and have increased violence in the country. Earlier this year the FMLN announced a change in its military tactics by increasing the number of its troops.

[Begin recording] [Samayoa] It is certainly another indication that the revolutionary forces are advancing steadily toward victory and a revolutionary democratic plan for the country. However, this should not be seen as an obstacle to the possibilities for a peaceful solution. We have stressed the need for a dialogue and for a political solution because we believe that is what the country most needs. A dialogue does not depend on whether or not we have military strength. We never called for a dialogue because of a lack of military strength.

[Reporter] Do you believe that a victorious attitude could adversely affect the possibilities for a dialogue?

[Samayoa] No, this is not a victorious attitude of the FMLN. Certainly there have been very clear revolutionary victories in El Salvador. This should not be an obstacle to a dialogue; in fact, it should strengthen the perspectives for a dialogue. Those who have ruled out any possibility of a dialogue in El Salvador must understand that there is no way we can solve this conflict by hoping for an FMLN defeat. After the attack in El Paraiso, the United States has said that the war will last 7 more years in El Salvador. It can say that because it is not suffering, it is not suffering from destruction, and people there are not being killed. The Salvadoran people are the ones being killed. All Salvadoran political and social forces must understand that no matter how much aid they receive from the United States, they will not be able to politically and militarily defeat the FMLN and the FDR. Therefore, the best thing to do is to seek a dialogue and a political solution to achieve peace in our country. [end recording]

Meanwhile, General Adolfo Blandon, chairman of the Joint chiefs of staff, said that the guerrilla attacks pursue propaganda objectives to influence public opinion and U.S. political sectors. However, the Catholic Church believes the increase in violence makes it less likely that a political solution to the conflict will be reached.

Meanwhile the guerrillas and the Armed Forces are preparing themselves for more fighting, and more bloodshed is expected.

PLANNING MINISTER DISCUSSES NEED TO END WAR

PA121711 San Salvador Radio Cadena YSKL in Spanish 1100 GMT 12 May 87

[Text] Salvadoran Planning Minister Fidel Chavez Mena has admitted that ending the war is top priority in order to reactivate the country's economy.

In his statement, Chavez Mena reviewed the country's economic situation and the level of dependency on other nations, which has worsened due to the internal war, the 10 October 86 earthquake, and problems with main export products. Chavez Mena said that foreign aid is vital for El Salvador because it is impossible to maintain the country's economic activities without such aid. Chavez Mena estimated the direct aid from the United States this year is approximately $450 million. He added that with this aid, the support from international agencies, and European countries, the Salvadoran economy could grow approximately 2-percent during this year.

Regarding the alternatives to reduce the level of national dependency, Chavez Mena said that the most important factor in reactivating the country's economy is to terminate the war. This is an effort to which all Salvadorans should be committed. As long as the internal war continues, he added, we cannot expect to see crops in a large part of the country, particularly in the sectors where the conflict is more serious, nor can we expect to have diversification of export products, or that production will be sufficient to meet our needs.

Chavez Mena said that the prices of our main export products -- coffee, cotton, and sugar -- in the international markets are depressed due to a drought and the 10 October earthquake, which affected the entire national production. Due to this earthquake, which measured 7.5 degrees on the Richter scale, 1,500 people were killed, 10,000 injured and 200,000 had economic losses. According to official reports, the economic losses have been calculated at $2 billion.

In theory, it is a fact that if we had no war there would be no fiscal deficit, the minister said.

Chavez Mena, administrator of foreign aid, said that the government will not agree to a new devaluation of the Salvadoran currency. This should not even be mentioned, as this is the land of rumors. The colon was devaluated in January, 1986 by 100 percent. There were rumors that the colon would be devaluated in the next 4 months.

BRIEFS

FRANCE GRANTS ASSISTANCE -- El Salvador will receive financial assistance from France to rebuild and construct new buildings for the Rosales Hospital and for the Ch[illegible]ilapa-Ahuachapan geothermic development project. This information was released by Pl[illegible]ning Minister Fidel Chavez Mena. The financial aid will be received through ag[illegible]ements that were already signed in Paris by Planning Minister Chavez. [Summary] [San Salvador Radio Cadena YSKL in Spanish 1200 GMT 28 Apr 87 PA]

LOCAL TIME ADJUSTMENT -- Dr Guillermo Antonio Guevara Lacayo, president of the Legislative Assembly, has confirmed for the YSKL news center that national local time will be advanced by 1 hour on 3 May. The measure, which aims to save between 10 and 12 million colones for the CEL [Lempa River Hydroelectric Executive Commission], will be in force until the last week of September. [Summary] [San Salvador Radio Cadena YSKL in Spanish 1730 GMT 23 Apr 87 PA]

HONDURAS

AZCONA RULES OUT DEVALUATION; TAX, TARIFF HIKE

PA141646 Tegucigalpa Cadena Audio Video in Spanish 1130 GMT 13 May 87

[Report by Danilo Antunez]

[Text] Yesterday during a ceremony at the school-hospital commemorating Nurse's Day, President Jose Azcona said that pressure is being put on his government to devalue the national currency, increase taxes, and increase the tariffs on the public services provided by the state.

[Begin Azcona recording] A few days ago, we were visited by representatives from international financial institutions, who said that Honduras should deal with its fiscal problems. This means that we should spend more or less what we [word indistinct]. To do that, they said, it would be necessary to increase taxes and tariffs and devalue our national currency. We clearly said no to those three proposals. There will be no devaluation, no increase in taxes, no increase in tariffs.

However, at the same time, we must offer something. If we were to say that we will not do any of the things we are asked to do, but do not offer to do anything to improve the situation, the immediate reaction would be: Very well, the flow of credit for Honduras will be stopped, and approved loans will be held back, which would make the situation even worse. Therefore, we offered to reduce our budget by 100 million lempiras. We are already reducing our budget by not creating new positions, by not [words indistinct] vacancies, by reducing trips abroad and domestic travel allowances. [end recording]

During the ceremony, President Azcona promised the Association of Honduran Nurses that he will study their request for wage increase with authorities of the Health and Finance Secretariats.

NICARAGUA

DEFENSE COORDINATOR VIEWS REVOLUTIONARY FRONTS

AU140917 Sofia OTECHESTVEN FRONT in Bulgarian 8 May 87 p 5

[Interview with Leticia Herrera, "national coordinator of the Sandinista Defense Committees," by OTECHESTVEN FRONT special correspondent Lyubomir Gorinov, in Managua: "The Defense of the Revolution Is a Cause for the Entire People" -- date not given]

[Text] [Gorinov] In contemporary revolutionary practice wide use is made of the strategy of setting up national patriotic anti-imperialist fronts, both before the victory of the relevant revolution and subsequently. How do you explain this sociopolitical phenomenon?

[Herrera] In Nicaragua's history there have been instances where political alliances have been set up which, however, did not correspond to national interests and made no other contribution apart from adding more black pages to the otherwise ceaseless history of struggle of our people against oppression. Examples of such alliances are Espino Negro's Pact between the Conservatives and Liberals, concluded on 4 May 1927 under the aegis of North American imperialism, and the Generals' Pact in the fifties between Emiliano Chamoro and Somoza Garcia. These alliances had the aim of continuing the imperialist domination of Nicaragua.

In 1961 the progressively oriented youth, who hitherto had employed various forms of struggle against the dictatorship, created a political alliance of a new type, namely, the Sandinists Front, as a military-political organization to correspond to the interests of the Nicaraguan people, by taking up the program left behind by the "general of the free people," Augusto Cesar Sandino, and applying it in the light of modern revolutionary theory.

The Sandinista Front, led by Carlos Fonseca, set itself the goal of involving the whole people in an armed struggle to topple the Somoza dictatorship, and its program included the following points: setting up a revolutionary government; carrying out an agrarian reform; making revolutionary changes in the fields of culture and education, labor legislation, and social security; providing honest administration; reintegrating the Atlantic coast; the emancipation of women; observance of religious freedoms; conducting an independent foreign policy; supporting unity of the peoples of Central America and solidarity between peoples; creating a national patriotic army; and paying due respect to our national heroes.

As a result of the work of the Sandinista workers in the spirit of Sandino's ideas and of drawing the broad masses of the people into the struggle, in the seventies it became possible to create broad national fronts, such as the Opposition Broad Front (later used as a cover by the pro-imperialist bourgeoisie in its attempts to set up a regime of "Somozism without Somoza") and the Nicaraguan Patriotic Front -- the organization which, led by the Sandinista Front, led the Nicaraguan people toward the final offensive, which ended in the victory of 19 July 1979.

After the victory of the revolution the Revolutionary Patriotic Front was formed, which included the Sandinista Front, the Independent Liberal Party, the Social Christian Popular Party, and the Nicaraguan Socialist Party. This was a pluralist alliance created with a specific goal, namely, to form an insurmountable barrier against the enemies of the revolution at home and abroad.

The aims of the Patriotic Front for the Revolution were the following: to support the patriotic and democratic policies of the Government of National Restoration; to defend, strengthen, and stimulate the Nicaraguan revolution; and to ensure socioeconomic changes of kinds that could be utilized by the entire people and would consolidate national independence.

These aims were not pursued with sufficient energy by certain political parties. This led to the dissolution of some and to the penetration of others by imperialist influence, so that the Sandinista Front was left at the head of the Nicaraguan people's struggle for independence. The most characteristic feature of this struggle is the formation of the Sandinista Defense Committees, made up of Nicaraguans who are united by their aspiration to fulfill the tasks of the revolution, irrespective of their political or religious convictions.

Recently, as the latest expression of our struggle, we also managed to set up a Continental Front of Community Organizations -- a result of the common aims of the communities in the Latin American countries against the common enemy of the Latin American peoples.

[Gorinov] What are the main tasks of the Sandinista Defense Committees at present, in the conditions of a standing threat of aggression against revolutionary Nicaragua on the part of the U.S. Administration?

[Herrera] The imperialist aggression of the U.S. Government against the Nicaraguan people has many dimensions, and consequently obliges our people to defend themselves in the appropriate manner. From the military aspect this aggression finds expression in the support of mercenary bands operating in the vicinity of the Honduras border, while in the economic field we are subjected to a blockade that obstructs the sale on the international market of our main export commodities, such as sugar, meat, and bananas, and at the same time hampers the import of needed goods, such as oil and medicines. In the ideological field a strong anti-Nicaraguan campaign is being waged through various mass communication media.

In this situation the Nicaraguan people are obliged to defend daily their revolution with weapons while simultaneously building the new society. In the Sandinista Defense Committees we are carrying out various tasks for the protection of our people's revolutionary acquisitions. In the first place, we play our own important role in the military defense of the revolution, which is everyone's cause. In addition, we have our own tasks in supporting young people entering the army to complete their patriotic service. Employing a system that we might call "district solidarity," we collect money, food, and other items and send them to the troops.

The imperialist war is causing sufferings for the entire people, but the anti-Nicaraguan actions vary in extent according to geographical zones. In the areas close to the frontier or in inaccessible districts, the actions of the imperialist mercenaries are more brutal. In such areas we are actively organizing the self-defense of the population and setting up militia or Civil Defense detachments.

Recently, in view of the strategic defeats suffered by the mercenaries in the border districts, the enemy, under the direct supervision of the U.S. Central Intelligence Agency, is mounting terrorist activities aimed at destroying strategic targets. They send out small detachments of specialists for this purpose. In this situation our latest task is to increase the people's vigilance in order to prevent sabotage. We are waging a campaign to involve the entire population in the guarding of economic, communal, and other installations.

Another important task for us is the fight against speculation: monitoring of prices and ensuring fair distribution of necessities among the population.

Our organization is also playing an important role in the health field. Thousands of our members take part in the vaccination days organized by the Ministry of Health. Thus, to sum up, through different forms of work we are performing important political and economic work for building a new society in Nicaragua.

[Gorinov] What is your assessment of the cooperation that has been established for years between the Fatherland Front, the largest mass organization in Bulgaria, and the Sandinista Defense Committees? Now, on the eve of the Fatherland Front Congress, what would you like to say to the delegates and the millions of Fatherland Front members?

[Herrera] The Bulgarian Fatherland Front and the Sandinista Defense Committees, faithful to the principles of revolutionary internationalism and in accordance with our cooperation agreements, have our particular parts to play in the common efforts to strengthen the anti-imperialist front and in the fight for peace and our peoples' happiness. In this sense we assess the cooperation of the Fatherland Front as a support not only of the Nicaraguan revolution, but also of the national liberation processes going on in Latin America and the Caribbean area. One expression of this is the recent formation of the Continental Front of Community Organizations in February this year, an event that a Fatherland Front delegation also attended. We give due credit to this cooperation, and are grateful for the numerous proofs of cooperation reinforced by specific deeds, such as the medical treatment of Nicaraguan citizens in Bulgaria, the grants made to Nicaraguan students, the sending of printed materials that help us in our work, and, of course, the exchange of experience at bilateral meetings or at international forums. To this congress of the Bulgarian Fatherland Front members we send our good wishes to this congress of the Bulgarian Fatherland Front members for successful work in carrying out your national tasks and, in the international aspect, making a contribution to the strategic goal of creating fronts in the fight for peace and the progress of mankind.

POLYCASA FACTORY CLOSES FOR 3 MONTHS DUE TO ATTACK

PA141653 Managua Radio Sandino in Spanish 1200 GMT 13 May 87

[Text] The toxic substances in the tanks hit by six LAW rockets could have affected 10,000 people, and the toxic effects could have spread within a radius of 6 km. Chontales' Radio Revolucion reported that Polycasa will stop its operations for 3 months, and this will hurt shoe production.

[Begin recording] [Radio Revolucion] As part of the CIA plans to destabilize the country's economy, a group of six mercenaries specialized in terrorist actions sabotaged the Polycasa installations located 3 km from Rama on Sunday. Samuel Mejia, the government delegates in the area, said that had the tanks, which contained highly flammable toxic substances, exploded, approximately 10,000 people of Rama, La Esperanza, and nearby cooperatives would have died.

The mercenaries fired three LAW rockets, two RPG-7 rockets, and sprayed machinegun fire which damaged the pipeline, causing an escape of gases and a fire in part of the tanks. Members of the local government, the FSLN and the EPS closed the valves, put out the fire, and evacuated approximately 500 people who were taken to the Rama municipal gymnasium.

Polycasa, a chemical industry that produces PVC [polyvinyl chloride], compound material for shoes, and plastic by-products, will stop operations for approximately 3 months because its reinstallation requires laser rays and help from foreign specialized technicians, Bernardino Turcio, the general director of Polycasa, explained yesterday during an inspection visit to the site of the incident. Turcio said that the loss is estimated at more than 1 million cordobas. He explained the effect that the temporary closing of Polycasa will have on the Central American area.

[Turcio] We had some pending orders from Guatemala and Costa Rica. Guatemala had asked for 850 metric tons of resin. Costa Rica had requested 600 metric tons. We had commitments with the other countries with CACM, through the Secretariat for Central American Integration. Consequently, this affects the Central American economy, as well. [end recording]

MILL REPORTS SUGARCANE HARVEST AFFECTED BY RAINS

PA070401 Managua Domestic Service in Spanish 2300 GMT 6 May 87

[Text] Union leaders from the German Pomares sugar cane mill have reported to this station that if the heavy rains that have been falling for the second consecutive day continue during this week, it will end the sugar cane harvesting which will ruin 60,000 tons of sugar cane that remain to be harvested. This sugar cane still in the fields would produce some 90,000 additional quintales, which is very important for the Nicaraguan people. The comrades have also reported to us that because of the rains, the trucks and other vehicles cannot get out of the fields and thus, more than some 100,000 quintales will be lost. It seems that only some 600,000 quintales will be obtained from this harvest.

FSLN, MONGOLIAN PARTY SIGN COOPERATION AGREEMENT

PA070439 Managua Sistema Sandinista Television Network in Spanish 0200 GMT 6 May 87

[Text] The FSLN and the Mongolian People's Revolutionary Party [MPRP] signed an agreement which establishes relations and cooperation at party level for the next 3 years. The agreement was signed by Julio Lopez, chief of the FSLN's Department for International Relations, and Tserenpilyn Balhaajab, of the MPRP.

CPSU DELEGATION VISITS PCC HEADQUARTERS

FL142028 Havana Radio Reloj Network in Spanish 1807 GMT 14 May 87

[Text] A CPSU delegation visited Cuba in accordance with the exchange plan it has with the Communist Party of Cuba [PCC]. The delegation, headed by several CPSU leaders, met with Lionel Soto, secretary of the PCC Central Committee. During the meeting, which was held at the headquarters of the Central Committee, Soto stressed the importance that the PCC gives to the exchange of experiences with the representatives of Lenin's party.

SOVIET MINISTER TOURS PLANTS IN CAMAGUEY

FL141348 Havana Radio Progreso Network in Spanish 1100 GMT 14 May 87

[Text] The Soviet minister of construction of petroleum and gas industry enterprises, [Vladimir Georgiyevich Chirskov], yesterday visited the industrial city of Nuevitas in northern Camaguey. He visited the Pastelillos fuel terminal, one of the most important in the country. He also observed the unloading of a fuel ship and the construction of an ammonia plant.

The Soviet official was accompanied by Lazaro Vazquez, alternate member of the PCC Politburo and first secretary of the Camaguey Province PCC, and Marcos Portal Leon, member of the PCC Central Committee and basic industry minister.

U.S. ENVOY TO UN USES 'OFFENSIVE ARGUMENTS'

FL142335 Havana Radio Rebelde Network in Spanish 2300 GMT 14 May 87

[Text] Cuba today accused Vernon Walters, U.S. ambassador to the United Nations, of using offensive arguments against Latin American countries that voted in favor of a procedural motion at the meeting of the Human Rights Commission in Geneva. The Cuban mission responded with a letter circulated in the United Nations to remarks made by Ambassador Walters on 12 May when he addressed American congressmen. The letter notes that the American official tried to disguise his defeat with offensive arguments such as the suggestion that those countries voted in favor of the procedural motion because of Cuban threats.

NEW HYDRAULIC DEVELOPMENT PLAN FOR HAVANA

FL141752 Havana Radio Periodico del Aire in Spanish 1600 GMT 14 May 87

[Text] Approximately 400 million pesos will be invested in aqueduct, sewer, and drainage works through the year 2000 as part of the City of Havana hydraulic development plan. The plan includes the laying of 337 km of water pipelines, approximately 140,000 connections, and the repair of 804 km of pipelines. The sewer plans include the installation of a 1,290 km sewer network, 37 pumping stations, 4 water treatment plants, and 172 main drains.

This plan does not include the expansion of the water supply source because, contrary to what some people may think, one of the ways to resolve the water problem in the capital city is the repair of the pipelines and installation of meters for the biggest consumers. Currently, the amount of water the Havana aqueduct supplies to each person equals the amount supplied by a highly developed country, however, much of it is lost because of leaks, filtering, and waste.

UJC ASSESSMENT PROCESSES TO BEGIN SHORTLY

FL141651 Havana Radio Reloj Network in Spanish 1425 GMT 14 May 87

[Text] Roberto Robaina, first secretary of the Union of Young Communists [UJC], has announced in Pinar del Rio that assessment processes, similar to those held last year by the community-based organizations and which were characterized by the quality and depth of their analyses, will begin shortly as a means to give continuity to the Fifth UJC Congress. Robaina also spoke of the duties of the UJC in accordance with the resolutions approved during the congress and Commander Fidel Castro's closing words. Speaking before Pinar del Rio UJC leaders and cadres, Robaina said that an in-depth discussion of the problems that affect the youths is necessary and added that a struggle against all signs of self-sufficiency, overindulgence, and conformism, must be waged with a new work style.

FIRST PHASE OF AIRPORT EXPANSION UNDERWAY

FL141935 Havana Radio Periodico del Aire in Spanish 1600 GMT 14 May 87

[Text] The first phase of the expansion of the Jose Marti Airport is scheduled to be completed by late next year. This phase includes the construction of a technical maintenance base at a cost of 70 million pesos. The construction material being used is USSR made and the hangar, which is 108 meters long and 35 meters in height, will be big enough to repair four planes at the same time, depending on their size and the way in which they are parked.

SAVINGS BANK BUYING DEMONETIZED SILVER COINS

FL141921 Havana Radio Periodico del Aire in Spanish 1600 GMT 14 May 87

[Text] The People's Savings Bank advises its users that they can sell their Cuban and U.S. demonetized silver coins at any agency throughout the country. The bank will pay five times the face value of the coin. A $1 silver coin will be bought for 5 pesos and an equal amount will be paid for a demonetized Cuban silver peso. Only silver coins will be purchased.

UNIONS GREET PEASANTS ON OCCASION OF ANAP CONGRESS

FL141531 Havana Radio Reloj Network in Spanish 1416 GMT 14 May 87

[Text] Rene Penalver, member of the Communist Party of Cuba Central Committee and second secretary of the Executive Secretariat of the Central Organization of Cuban Trade Unions [CTC] National Committee, has told this radio statin that the Cuban workers have sent greeting to their brother peasants who will begin their seventh congress tomorrow. Penalver added that this important peasant congress will contribute to strengthen the traditional Cuban worker-peasant alliance and that it will further boost new achievements in the fields of efficiency and productivity. Penalver said that the CTC and the national unions are sure that the ANAP [National Association of Small Farmers] Congress will be the starting point for greater efforts in the agricultural production of local consumption products, as well as for tobacco, coffee, citrus, pimiento [sweet peppers], honey, and other export products.

The cooperative system, the socialist production system of our peasants, will also be strengthened during this Seventh ANAP congress, Penalver concluded.

FIRST WORKERS, TRADE UNION WORKSHOP HELD

FL141408 Havana Tele-Rebelde Network in Spanish 1100 GMT 14 May 87

[Text] The first workshop on the workers and trade union movement was held in Havana with the participation of more than 100 students from the Lazaro Pena national school of trade union cadres. The students represent 25 trade union organizations from Africa, Latin America, and the Caribbean.

During the discussions, the participants agreed that the foreign debt is unpayable. They also discussed the economic, political, and social situations their peoples are confronting.

WORKERS URGED TO RESPECT SAFETY MEASURES

FL141514 Havana Radio Reloj Network in Spanish 1406 GMT 14 May 87

[Text] Rosario Fernandez, member of the Executive Secretariat of the Central Organization of Cuban Trade Unions National Committee, has said that a proper awareness of requirements is necessary for the respect of safety measures. The labor leader called attention to the number of job-related accidents that occurred last year in the fields of loading and unloading, especially the fatal accidents involving the use of cranes. After studying the reasons for these accidents, Rosario Fernandez reached the conclusion that many of the workers who perform high risk jobs have not been properly trained in the use of safety measures which is something that must be done. The labor leader strongly criticized those who have not yet learned the meaning of Commander Che Guevara's words when he said that: The life of one man is worth much more than all the wealth the richest man on this earth may have.

FIRE REPORTED AT CIEGO DE AVILA WAREHOUSE

FL142325 Havana Radio Reloj Network in Spanish 2054 GMT 14 May 87

[Text] A fire broke out early this morning at a provincial warehouse of the Agriculture Ministry in Ciego de Avila which caused considerable material damage. The swift action of the firefighters, residents of the area, and people in general prevented the fire from spreading to homes and to a movie house nearby.

FAR OFFICIAL VISITS 10 OCTOBER TRAINING CENTER

FL141908 Havana Radio Periodico del Aire in Spanish 1600 GMT 14 May 87

[Text] Division General Abelardo Colome Ibarra, first vice minister of the Ministry of the Revolutionary Armed Forces [FAR] and member of the Communist Party of Cuba Politburo, visited the Training Center for Junior Specialists in 10 October Municipality. Colome Ibarra was interested in learning about the courses taught at the center and any special needs the center may have in order to provide the students, who will later join the ranks of the FAR, with a more in-depth training.

PASSING RATE PROBLEM VIEWED IN HAVANA SCHOOLS

FL150136 Havana Television Service in Spanish 0000 GMT 15 May 87

[Text] It has been learned during a meeting of the Communist Party of Cuba Provincial Committee in Havana City that the educational situation in the capital can be described as normal at the various levels. The most troubling situation is the one involving the basic secondary schools. The biggest difficulties exist at this level. Although in respect to the last school term the situation has improved, the school, the teachers, the political and mass organizations, and the family must cooperate to bring up the passing rate. In the first place, there is student attendance, which is close to 90 percent, which means that a significant number of children are not receiving the proper education. We should keep in mind that there are 96,000 basic secondary students in the capital. A significant number are repeaters. With the end of the term near, teachers and parents must provide the maximum support because, although it is known that one cannot make spectacular strides in education, one can indeed improve the passing rate by making the students study more.

COMMENTARY ON WEAKENING OF SALVADORAN REGIME

PA042329 Havana International Service in Spanish 2300 GMT 2 May 87

["Our America" commentary, read by Manolo Ortega]

[Text] Every day more analysts believe that Jose Napoleon Duarte's regime is suffering serious attrition from the war, which is seriously weakening its role as an alternative for Washington in the smallest Central American nation.

In effect, the Salvadoran situation is becoming complicated for the Christian Democratic regime, in light of its impotency before the guerrillas' political and military offensives and of the divisions that are growing daily between the right-wing sectors, which for a moment, at the urging of the White House, supported it.

The so-called policy of constructive dialogue with which Duarte attempted to confuse public opinion toward the end of 1984 was frustrated when it was proven that the U.S. Government never really intended to reach agreements with the guerrillas to end the military conflict. Demagoguery was for the regime a way of winning time to gain strength militarily and fully exert itself in that direction, its true objective for the past several years. For that purpose, Duarte received $722 million in 1984 from his U.S. godfather, while in 1987 alone the amount is expected to be more than $770 million.

Through allegedly successful offensives, attempts were made to make people believe that a guerrilla withdrawal was taking place. General Onecifero Blandon, chief of the Salvadoran Armed Forces Joint Chiefs of Staff, went so far as to say that the insurgent forces were reduced to only 33 percent of the number of troops they had before the military campaigns. However, the constant paralyzation of highway transportation and the recent attack on the headquarters of the Army 4th Brigade, believed to be impregnable, closed the mouths of those who had marked with simple words the collapse of the revolutionary movement. The FMLN showed it has broad political initiative by promoting a dialogue that Duarte is eluding, and proved that it is a force that must be seriously contended with in the military sphere.

Meanwhile, Duarte's battles with the extreme right-wing sectors and other oligarchic groups that initially supported him must not be forgotten. To the more conservative, the White House's godchild is weak in the struggle against insurgency. If the protests from these truly dark sectors have not been more active it has been due to Washington's mediation to avoid further problems.

Some other sectors from the local oligarchy have protested the recent Christian Democratic decision of increasing the [taxpayers'] contributions to pay for the war. Such sectors would only agree to this plan in exchange for Cabinet posts and greater economic and political benefits. The situation has been reflected in the harsh parliamentary discussions, in which everyone is blamed. Nevertheless, Duarte is strictly following the military option ordered by the United States, regardless of its costs. Duarte's Culture and Communications Minister Julio Adolfo Rey Prendes has confirmed this position by recently affirming that the war is not linked to dialaogue. This statement obviously leads one to think that the regime believes that the conflict has open doors until the White House orders another option. However, such positions open the grave of those who support them. The reality in El Salvador confirms this every day.

DOMINICA

CDB REPORTS 4 PERCENT ECONOMIC GROWTH IN 1986

FL111924 Bridgetown CANA in English 2204 GMT 9 May 87

[Text] Bridgetown, Barbados, May 9, CANA -- Despite the tapering off in Dominica's road reconstruction and rehabilitation programme which dominated economic activity since 1983, real Gross Domestic Product (GDP) grew by an estimated 4 per cent in 1986, compared with an estimated 1.9 per cent in 1985, the Caribbean Development Bank (CDB) says in its 1986 annual report. It said that the main productive sectors recorded substantial increases in output.

Banana exports rose by 51.6 per cent from 33,2295 long tons in 1985 to 50,474 long tons in 1986. For the first time, banana production exceeded the levels obtained before 1970/80 when two successful hurricanes devastated the industry. The target of 100 percent field packing of fruit was attained in July 1986, bringing with it noticeable improvement in fruit quality and, consequently, increases in the level of banana exports and farm incomes.

Grapefruit production expanded by 42.3 per cent from 7,500 short tons in 1985 to an estimted 10,676 short tons in 1986. With the expansion in production, Dominica has been able to increase exports of grapefruit concentrate to Florida.

The bank said the coconut industry appears to be rebounding from the drop in sales which resulted from the decline in Caricom trade. Progress has been made in identifying a new market--The Bahamas--to which shipments were made during the year. The Bahamas also provided an alternative market for bottled water.

Prices in Dominica, as measured by the Consumer Price Index, rose by 3 per cent in 1986. This was slightly above the rate for the previous two years when the inflation stabilised at about 2.1 per cent annually.

The higher rate of inflation reflects sharp increases in the price of clothing and footwear, meat, fish and dairy products. Lower fuel prices are indicative of the downward trend on the world market.

Despite renewed activity in Dominica, commercial bank lending declined by 2.1 per cent between December 1985 and September 1986. While the 10.4 per cent reduction in central government borrowings from the banks manifests government's stated policy, the decline in private borrowing may be indicative of the high cost of credit provided by the banking system.

The decline in lending was sharpest in the agricultural sector where a 19.7 per cent reduction in outstanding loans reduced the sectors borrowing to 1.5 million dollars, or 3.5 per cent of total loans and advances.

At the same time, total deposits rose by 18.3 per cent between December 1985 and September 1986, with savings deposits dominating the expansion. The local commercial banks placed additional funds on special deposit with the Eastern Caribbean Central Bank on transferred excess funds to a foreign banking institution.

During 1986, government maintained its tight fiscal stance. Savings of 0.9 million dollars were realised in 1985/86, compared with savings of 0.04 million dollars in 1984/85, and the overall deficit was reduced to 1.8 million dollars.

Savings were achieved despite the reduction from 5 per cent to 1 per cent in the customs service charge on inputs for manufacturers goods used as inputs by the manufacturing sector, following representations by the business community.

The 1986/87 budget reflects the public sector's continued emphasis on fiscal discipline and projects a surplus of 1.3 million dollars on recurrent operations.

As part of an exercise to reduce the proportion of recurrent expenditure devoted to wages and salaries, government replaced the system of automatic salary increments with a system of increases based on performance. This should result in savings of 0.4 million dollars.

The 1986/87 budget also expressed the government's concern with stimulating private investment and exports. Accordingly, export duties and the 1 per cent stamp duty on export sales were removed, the corporation tax reduced from 45 per cent to 30 per cent for eligible manufacturing enterprises, the foreign exchange levy cut from 2.5 per cent to 1.5 per cent, and the surcharge on petroleum products removed.

Economic performance during 1987 will depend on whether the performance of the agriculture sector in 1986 can be sustained, the CDB says. Further improvements in the quality of bananas and favourable movements in the sterling exchange rate should result in more favourable banana prices leading to further increases in production.

The planned reorganization of the citrus industry, together with the establishment in 1986 of the export/import agency -- which is responsible for providing institutional support for the marketing of agricultural commodities -- should also contribute to a general improvement in the performance of the agricultural sector, the bank adds.

Economic performance should be enhanced by the implementation of a three-year structural adjustment programme. The programme, for which Dominica has already mobilized the required external funding, involves proposals for institutional reform, sectoral programmes and macroeconomic policy support, geared to stimulate private investment and exports and improve the efficiency of public sector operations.

OPPOSITION PARTY CANDIDATES WIN GRANDBAY ELECTIONS

FL132035 Bridgetown CANA in English 1951 GMT 13 May 87

[Text] Roseau, Dominica, May 13, CANA -- Candidates sympathetic to the opposition Dominica Labour Party (DLP) captured all five seats in the Grandbay Village Council elections held on Monday, electoral officials reported today.

Topping the ballots was opposition member of parliament Pierre Charles who collected 332 votes. Pierre and three of the other successful candidates carried the DLP symbol -- the shoe -- in the election, and DLP sources said the other winner was also sympathetic to the opposition party.

Eleven candidates contested the elections. Some 532 people voted, according to the electoral office, representing just over twenty-five per cent of the 2,095-strong electorate in the Grandbay area. DLP leader Michael Douglas said the results were a sign of his party's continuing influence in the Grandbay constituency.

GRENADA

COMMISSIONER, INFRASTRUCTURE PLANNED FOR ELECTIONS

FL051524 Bridgetown CANA in English 1836 GMT 3 May 87

[Text] St George's, Grenada, May 3, CANA -- Grenada will appoint a commissioner of local government prior to introduction of local government elections, a senior government minister has announced.

Local Government Minister George McGuire said no date had been set for holding the elections because the matter had to be studied carefully. McGuire gave no details on how soon the appointment of a local government commissioner would be made or whether someone had already been identified for the post. But he told CANA his approach to the holding of the elections would be slightly different from his predecessor Dr Francis Alexis, who resigned from the government two weeks ago.

McGuire said the intention of the government was to put all the necessary infrastructure in place before the election was held. We would identify where the buildings are, renovate the buildings, buy the machine, have the staff, and then we have the elections, he said. We would not appreciate the point of view which says that we must have elections first and then set about having the infrastructure, he added.

Asked whether the government's commitment to have the elections before yearend still stood, McGuire said: I can't say. I have to be advised. We have a committee studying this and the committee has to advise.

The local government regime was abolished in 1968 by an act of parliament under the Eric Gairy government.

HAITI

POLITICIAN ACCUSES U.S., JAMAICA OF MEDDLING

FL141434 Bonaire Trans World Radio in English 1130 GMT 14 May 87

[Text] The head of one of the political parties emerging in Haiti since the demise of dictator Jean-Claude Duvalier has accused U.S. President Reagan and Jamaican Prime Minister Edward Seaga of meddling in Haitian affairs.

A Kingston newspaper reported this week that the Reagan and Seaga governments helped overthrow Duvalier, Haiti's self-proclaimed president for life so they could control Haiti and count on its votes in the United Nations.

Well last week, two teams of military advisers arrived in Haiti to begin training the Haitian military. One team, according to the spokesman, will train the Haitian military in crowd control. The other team will train the military in inventory and supplies practices.

JAMAICA

MODEST ECONOMIC GROWTH REPORTED IN 1986

FL111802 Bridgetown CANA in English 1720 GMT 9 May 87

[Text] Bridgetown, Barbados, May 9, CANA -- The economy of Jamaica grew modestly in 1986, reversing the trend of negative growth in the last few years, the Caribbean Development Bank (CDB) says in its annual report. Falling oil prices and modest recovery in primary export markets stimulated bauxite production, while agriculture stabilised and tourism rebounded after the set-back in 1985.

On the other hand, declining output continued to plague the manufacturing sector. There was marked improvement in the fiscal situation, and the current account of the balance of payments benefitted from the positive developments in the international economy.

In the mining sector, the volume of bauxite exports increased from 1.9 million tonnes to 2.3 million tonnes, or by approximately 21.7 per cent during the first ten months of 1986, compared with the similar period in 1985.

The volume of alumina exports however fell by 8 per cent to 1.3 million tonnes. The value of exports of bauxite and alumina increased marginally from 246.9 million dollars to 247.2 million during the ten-month period.

Agriculture, though severely affected by the June flood rains, performed well. Banana exports for the first eight months of 1986 amounted to 13,355 tonnes, exceeding full-year exports for 1985 by 7.2 per cent.

Export earnings more than doubled to 6.9 million dollars for the first three quarters of 1986, compared with three million dollars for the same period in 1985. This record performance reflects major shifts in the industry away from small-scale production to large commercial farms producing primarily for export.

Reduced sugarcane acreages produced higher yields, evidenced by the 10.6 per cent rise in output of sugar during the first four months of the year. However, heavy rainfall in may and June reduced the sucrose content and production of sugar declined dramatically. Strong recovery in July and August was insufficient to fill the [passage indistinct] to earnings by the subsector for the first three quarters grew by 12.9 per cent to 56.2 million dollars.

During 1986 manufacturing was constrained by rising input costs. The authorities imposed large levies on imported capital goods and raw materials while the new preshipment system of inspection resulted in high costs and late deliveries of imported inputs. In consequence, it is reported that some businessmen have been shifting from manufacturing to the distributive trades.

Record performance was reported in the tourism sector. Although arrivals of cruise ship passengers fell by 1.1 per cent, total visitor arrivals increased by 10 per cent to 783,203 for the first ten months of 1986.

Arrivals of stopover visitors increased by 14.8 per cent to 561,713 in response to Jamaica's improved image in the market place, expanding air services to the island and more aggressive and strategic marketing. Estimate tourist expenditure for the period January to September 1986 rose by 16.7 per cent to 395.1 million dollars from 335.7 million in the same period for 1985.

Indications suggest some increase in employment in 1986, following the heavy layoffs in the bauxite/alumina industry and the public sector in 1985. The situation was also alleviated by the expansion of female employment in the garment manufacturing establishments operating in the free-zones.

At the same time, inflation as measured by the consumer price index, decelerated to 9.5 per cent during the first ten months of 1986, compared with 20.3 for the corresponding period in 1985.

The year witnessed relaxation of the tight monetary policy imposed in previous years to reduce the structural imbalances within the economy. Measures adopted to stimulate commercial bank lending to the productive sectors in 1986 did not have the desired effect, as lending to agriculture, manufacturing and construction fell during the first ten months of the year.

Total lending to the productive sectors increased by only 14.9 per cent while total credit rose by 21 per cent. The major portion of the increased credit went to the public sector to finance the capital expenditure programme.

Demand and savings deposits were the largest contributors to the increase in total deposits, which rose by 23.9 per cent in the ten months to October 1986, compared with the same period in 1985. Narrow money supply (M1) expanded by 36.5 per cent and the broad money supply (M2) by 26.6 per cent, compared with increases of 21.1 per cent and 26.1 per cent respectively, during the corresponding 1985 period.

Good performance in the external sector mirrored the favourable developments elsewhere in the economy. Increased export earnings, lower oil prices and rising foreign travel receipts led to a significant improvement in the current amount deficit, which fell from 575 million dollars in 1985 to 378.2 million in 1986.

However, protracted discussions with the International Monetary Fund (IMF) produced uncertainty about the strength of the economy and capital inflows were signficantly reduced. At the end of August 1986, net foreign assets stood at minus 1,219 million dollars, compared with minus 1,094 million dollars for the same period in 1985.

Preliminary data on central government operations showed a current account surplus of 141.3 million for the first five months of the fiscal year, compared with a deficit of 349 million J dollars for the same period in the previous years.

The improvement in the fiscal accounts was due to a 25 per cent increase in total recurrent revenue and a drop of 16.6 per cent in recurrent expenditure. Capital expenditure was reduced by 11.5 per cent and the overall deficit amounted to 285 million J dollars, compared with 830.3 million J dollars for the same 1985 period.

This deficit was financed primarily from domestic resources as foreign financing fell by 88.9 per cent from 574.7 million J dollars to 64.1 million J dollars. Domestic financing for the first five months of the year was almost three times the amount projected for the full fiscal year.

Prospects are the modest growth in 1987. Tourism, and the service sector, in general, are expected to provide the main stimulus for growth. Agriculture is also expected to show some growth and no further contraction is foreseen in the bauxite/alumina industry.

The ease in monetary restrictions and the greater competitiveness of the Jamaican economy vis-a-vis its major trading partners should stimulate some recovery in manufacturing while agreement between IMF and government on an economic programme should open the way for increased capital inflows in spite of the announced reductions from U.S. sources.

ST VINCENT AND THE GRENADINES

BRIEFS

TELEPHONE EXCHANGE LAUNCHED -- Kingstown, St Vincent, May 11, CANA -- Cable and Wireless, the British telecommunications company, has launched a 2.6 million dollar (one EC dollar -- 37 cents U.S.) telephone exchange on the Grenadine island of Bequia, 10 miles south of St Vincent. The project provided for international direct dialing facilities to telephone subscribers on the 6.9 square mile island. The Bequia exchange launched yesterday is connected to the new digital telephone system which was inauguarated in most areas of mainland St Vincent in February last year. Charles J Antrobus, general manager of Cable and Wireless in St Vincent, said EC38 million dollars had already been spent on the telecommunications expansion and improvement programme and that a further EC30 million dollars had been earmarked for expansion of the system and services over the next five years. [Excerpt] [Bridgetown CANA in English 1927 GMT 11 May 87 FL]

TRINIDAD AND TOBAGO

PARLIAMENT PASSES BILLS FOR OVERDUE ELECTIONS

FL111751 Bridgetown CANA in English 1436 GMT 9 May 87

[Text] Port of Spain, Trinidad, May 9, CANA -- Trinidad and Tobago's House of Representatives yesterday passed two bills paving the way for overdue local government elections which will provide the first test of the popularity of the Robinson administration.

Passage of the bills in both houses will mean that President Noor Hassanali would be free to order the Elections and Boundaries Commission (EBC) to prepare for the elections, due by August.

Local government elections were delayed last year by parliamentary extensions of the Lives of Local County and Municipal Councils.

The extensions had been seen as a way of preventing a clash between work towards local elections due in August and general elections which eventually took place in December.

The ruling National Alliance for Reconstruction (NAR) won power for the first time in the vote with a 33-3 seat majority over the People's National Movement (PNM) which had ruled for 30 years.

NAR General Secretary and Chief Whip Dr Bhoe Tewarie, told parliament that the government needed critical support from a responsible opposition as it faced a real problem of transition from PNM rule.

INFORMATION CAMPAIGN ON CONSTITUTION BEGINS

FL141840 Paramaribo International Service in English 1730 GMT 14 May 87

[Text] The (?big) information campaign on the draft constitution begins today. Opposite the building which houses the National Assembly, a tent has been set up where the public could obtain materials such as brochures, folders, and copies of the draft constitution. The media has also agreed to inform the population about the contents of the new draft constitution on which they have to give their opinion through a referendum on September 30th.

TECHNICAL PROBLEMS FORCE CHEMICAL PLANT TO CLOSE

FL131830 Paramaribo International Service in English 1730 GMT 13 May 87

[Text] The chemical company, (Chemco), has been closed since May 1st because of technical problems. The management of the company said the closure came about because of the unsafe and inefficient nature of production apparatus. The chemical company has been unable to effect repair work because of its inability to obtain license for foreign exchange in order to import spare parts.

The chemical company, among other things, produces chlorine for swimming pools and also caustic soda and hydrochloric acid for Suralco's aluminum production. The (Chemco) management has in the meantime informed the government of the affects of the closure on public health. It will also lead to the loss of jobs while the pressure on the scarce foreign exchange situation will be increased since the Suralco will now have to import caustic soda and hydrochloric acid.

SEVEN PARTIES TO PARTICIPATE IN NOVEMBER ELECTIONS

PA100146 Paris AFP in Spanish 2153 GMT 9 May 87

[Text] Paramaribo, 9 May (AFP) -- The Party for the Development of Suriname [PPRS], today became the seventh organization to announce its plans to participate in the general elections scheduled for 25 November in the former Dutch Guiana, with a population of 370,000. The Surinamese will elect a 51-seat parliament, which will in turn choose the president, according to the draft constitution which will be submitted for a referendum on 30 September. The current Surinamese Government is a military regime led by Commander Desi Bouterse, who rose to power through a coup d'etat in 1980 and now, harassed by tenacious rural guerrillas and a serious economic crisis, wants to turn over power to the civilians.

The following parties have announced their participation in the elections:

- Suriname National Party [NPS]; this is the party of the former Prime Minister Henk Arron [ousted by Desi Bouterse], supported by the Creoles and mestizos.

- Progressive Reformed Party [VHP], supported by Hindu descendants.

- Indonesian Peasants Party [KTPI], comprised of Indonesian immigrants descendants.

- Progressive Workers and Farm Laborers Union [PALU].

- Surinamese Peasants Party [LPS], a splinter group of the VHP.

- New Democratic Party; current Prime Minister Jules Wijdenbosch's party.

- Party for the Development of Suriname, a splinter group of the KTPI.

Fred Derby, leader of the main labor organization (C-47), is currently seeking the creation of the Workers Party.

PROSECUTOR RECOMMENDS WORKERS IMPRISONMENT

FL131847 Paramaribo International Service in English 1730 GMT 13 May 87

[Text] The public prosecutor has demanded 12 months imprisonment, 4 of which will be conditional, against 3 of the 14 Suralco workers, who are accused of damaging production equipment at the company. Eight months with 14 conditional were demanded for 9 others.

The prosecutor, however, recommended that one of the accused, who reportedly entered the plant after the damages took place, be set free, which the judge did until further notice. Judge (Traderman) will give his verdict on Friday [15 May]

The workers are accused of damaging production equipment at Suralco in February this year after the company had told a couple of hundred workers that they did not have to report for work. The bauxite company took this decision after the Brunswijk had sabotaged three high-tension pylons as a result of which the energy supply to the plant was cut off.

WIJDENBOSCH EMPHASIZES CRUCIAL ROLE OF YOUTH

FL111828 Paramaribo International Service in English 1730 GMT 11 May 87

[Text] Last weekend, Surinamese youth stressed the need for unity among the population, especially among youth, during the national congress on youth policy. The congress, which started on Friday, closed yesterday with the adoption of a number of resolutions, which will be used to complement a draft plan which was adopted earlier during four mini-congresses held in various districts.

At the closure of the congress, Prime Minister Jules Wijdenbosch said that youth can make a significant contribution to the process of national liberation and development. He said this could be effected through critical support of the policy regarding this goal.